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ABSTRACT

This comprehensive educational curriculum aims to teach adults about federal income taxes and the role of taxes in the economy. The unit provides the tools, lessons, and activities to teach information about taxes and tax forms. The lessons build upon each other. Two instructional modules can be used separately as workshop topics, integrated into existing credit and non-credit courses, or presented together as a comprehensive unit on taxpayer education. The first module, "Economics of Taxation," explains how taxes affect people and the economy; it includes a 20-minute video program and three lessons. The second module, "Becoming Taxwise," explains personal financial management and the process of selecting and completing the correct federal income tax forms; it includes a 20-minute video program and 11 lessons. Each lesson has discussion suggestions, activities, and a short quiz. This 1999 edition was revised by the National Coalition for Consumer Education, Inc. (NCCE) and other professional educators. Full-sized copies of all forms, charts, and figures are contained in the Appendix section. (BT)

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Taxes & You

1999 Edition

An educational curriculum
on federal income tax.

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DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

February 2, 2000

Dear Educator:

Enclosed is the 2000 Annual Revision of the "Taxes and You" Teacher's Kit for instructing your students on preparing and understanding their income taxes. The Taxes and You Program, designed for the adult learner is the third part of an educational series provided to educators. The first part, "Taxes and U.S. History," is designed for the 8th Grade History class and "Understanding Taxes" is for Grades 9-12. The Internal Revenue Service offers all three parts free to educators.

This year the "Taxes and You" materials have a brand new look. The print materials are in an easy-to-use format. Also, you will find a CD-ROM of the print materials. The redesigned materials resulted from a task force of your peers. I would like to thank the following individuals on the task force for the creative ideas and most especially their time.

Jayne Kracker, Task Force Leader
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Bernice Wilson
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Just a reminder for those who are on the mailing list, you will automatically receive the annual update and do not need to complete the enclosed Form 12037 unless:

- Your address has changed.
- You received more than one kit.
- You no longer wish to receive the kit or annual updates.

Complete the appropriate box on the enclosed Taxes and You Program Order Form (Form 12037) and mail it to the nearest IRS Office shown on the enclosed list of addresses and telephone numbers. Following these directions will help reduce the number of duplicate mailings and keep our address listing current.

If you need forms or instructions for your classroom, you may download the forms and publications from the IRS website at www.irs.gov or call 1-800-829-FORM. You may order 100 copies of a form; however, should you need additional copies or assistance, please contact the Taxpayer Education Coordinator in your state for assistance.

We are interested in any suggestions or improvements you may have for the kit. Also, we would like to thank those of you who have taken the time to share your suggestions and improvements with us. If you have any suggestions, please submit them by May 27, 2000. We will evaluate them and incorporate them where possible. Please send your comments to:

Internal Revenue Service
Attn.: Eileen McCormick
OP:C:E:W:E - C7-168
5000 Ellin Road
Lanham, MD 20706

Or E-mail your comments to Eileen.K.McCormick@m1.irs.gov.

We appreciate your taking the time to contact us and we wish you and your students a most successful school year.

Sincerely,

Richard D. Holland
Acting Chief, Volunteer & Education Section

Taxes and You Users

This update was to include a CD-ROM for reproduction purposes. Unfortunately, we have experienced technical problems with the CD-ROM production. In order to reduce any further delays in getting these materials to you, it has been decided to eliminate the CD-ROM at this point in time.

Please accept our apologies for any inconveniences this may cause you or your staff.

Eileen McCormick
Taxes & You
Program Manager

Taxes & You
1999 Edition
Introduction

Taxes & You is a comprehensive educational curriculum to teach adults about federal income taxes and the role of taxes in the economy. *Taxes & You* provides the tools, lessons, and activities to teach information about taxes and tax forms. The lessons build upon each other, offering educators flexibility. The curriculum offer two instructional modules that can be used separately as workshop topics, integrated into existing credit and non-credit courses, or presented together as a comprehensive unit on taxpayer education.

1. ***Economics of Taxation*** considers how taxes affect people and the economy. It consists of three lessons and a 20-minute video program.

2. ***Becoming Taxwise*** focuses on personal financial management and the process of selecting and completing the correct federal income tax forms. It includes a 20-minute video program and 11 lessons.

This 1999 edition was revised by the National Coalition for Consumer Education, Inc. (NCCE) and a task force of professional educators with vast experience in adult and financial education.

The project was funded by the Internal Revenue Service as part of the agency's extensive consumer education effort.

Reproduction of all or part of this publication for instructional use is encouraged.

Taxes & You

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Educator Information

An understanding and efficient use of the taxation system are critical to the individual and to the functioning of our society. *Taxes and You* is a multi-media learning resource that helps adults learn about income taxes.

This 1999 edition is designed for multi-level learning. Depending on your audience's needs, you may select to teach one, two or all fourteen lessons. Instructor information is presented on the left page and student information is contained on the right. Full-sized copies of all forms, charts, and figures are contained in the Appendix section. You can make these full-sized visuals into overhead transparencies to use while teaching the lesson or print them from the CD-ROM.

Each lesson includes information, discussion information and activities, and a short quiz to reinforce the information learned. Key information is summarized at the each lesson for you to review with the class.

A few tips to keep in mind are:

- Become familiar with the objectives, discussion topics, activities and forms before the class. Start each class with the objectives and terminology.
- Preview the video before showing so you are familiar with the information. When showing the video darken the room and be sure each student has a clear line of sight.
- Duplicate the student materials. These materials can also be printed from the enclosed CD-ROM
- Review the quiz and the student's answers at the end of each session. Summarize the important information learned in the lesson.
- Stress that *Taxes and You* focuses on learning tax concepts, rather than specific tax information. When a person understands the concepts, they can locate the tax information that may change from year to year.
- Get and keep a copy of *Publication 17 – 1999 Tax Guide for Individuals* and refer to it for tax information.
- Contact your local Internal Revenue Service taxpayer education coordinator for other information and resources available in your area.

Income taxes can be an interesting topic. It is one that all adults must understand and become comfortable with in order to pay only what they owe. Thank you for your assistance in educating adults across America.

NOTE: April 15 is the regular filing date. If April 15 falls on a Saturday, Sunday or holiday, forms are due midnight the following Monday. April 15, 2000 falls on a Saturday, therefore, by law, tax forms are due April 17, 2000. This publication reflects the April 15 due date.

Economics of Taxation

A Module of

Taxes & You

1999 Edition

Instructor's Guide
Economics of Taxation
Basic Course

90 minutes

Introduction:

Taxes can affect people's behavior and shift resources within the economy.

Objectives:

After completion of this lesson, students should:

- have a general knowledge of the taxation system and how taxes affect people and the economy.
- understand and explain how and why resources are shifted from private to public uses and to cite examples of how the government uses these resources.
- identify ways in which taxes influence economic behavior.

Opening:

1. Ask students what they would do if Congress created a $2-per-gallon tax on gasoline.

   Answer: Perhaps students would drive less often, making only essential trips; or they would ride buses or bikes, form carpools, etc. Stress that these are examples of changes in economic behavior caused by a tax.

2. Review terminology students will hear in the video.

NOTES:

EQUIPMENT NEEDED:

VCR and TV monitor
Chalk board or flip chart
Chalk or markers

CLASS TO INCLUDE:

Introduction	10 minutes
Video: *Economics of Taxation*	20 minutes
Discussion & Activities	40 minutes
Quiz & Summary	20 minutes

Student's Guide
Economics of Taxation
Basic Course

Introduction:

An understanding and the efficient use of the taxation system is important to the individual and to the functioning of our society.

During this session you will learn:

- how and why resources are shifted from private to public uses and cite examples of how the government uses these resources.
- ways in which taxes influence economic behavior.
- the types of taxes based on the principles of ability-to-pay and benefits-received.

NOTES:

Terminology

Ability-to-pay principle - a criterion of tax fairness under which people with different amounts of wealth or different amounts of income should pay different amounts of taxes

Benefits-received principle - a criterion of tax fairness under which people pay taxes in approximate proportion to the benefits they receive from government goods and services

Resources - factors needed to produce goods and services, such as capital (buildings and equipment), human (people's abilities), natural (environmental), and financial (money, value)

Marginal tax rate - a system of taxing different brackets of income levels at different rates

Video Program (20 minutes)

The video program helps students understand how taxes affect people and the economy.

Discussion & Activities

Activity 1: Tax Survey

Tally the findings of the class on a flip chart or chalk board.

Discussion ideas:

- the fairness of the tax
- its effect on consumer behavior

Activity 2: Tax Fairness

Allow about three minutes for the students to discuss the situation, and then share their decisions.

> *Accept all answers, stressing that, judging by the type of cars they drive, the Browns may have a lesser ability to pay the tax than the Vanderbilts. The $5 may represent a greater portion of the Brown's income than of the Vanderbilt's income. Both families, however, received the same benefits (the use of the park) from the same tax revenue.*

Activity 3: Tax Fairness

Allow about three minutes for the students to discuss the situation, then share their decisions.

> *Answer: The O'Learys didn't directly pay a user fee to use the park, but some of the taxes that they and other people and businesses have paid on property, sales, or income probably went to the city government, which provided the park "free" to residents. The O'Learys received the park's benefits, paid for by local taxes.*

Overview of Video

While Rafael and Anne order pizza with their Economics professor, they wonder where their tax money goes. Dr. Shrader explains how taxes transfer resources from individuals and businesses to the government, enabling it to provide the goods and services people want.

Rafael thinks it would be fairer to have people pay taxes just for what they use, such as gas taxes to pay for roads. It's often difficult to measure the amount of taxes each person should pay if taxes are based on a benefits-received criterion, and the system wouldn't be fair to the poor, who couldn't afford to pay taxes for essential services such as fire and police protection.

The benefits-received criterion considers a tax fair when those who pay it directly benefit from it. But many taxes are fair and unfair at the same time.

As the students try to divide the bill, they agree that no tax is completely fair. But fairness is the goal. Even though a completely fair tax is unattainable, voters and lawmakers should work toward adopting taxes that are as equitable as possible.

VIDEO NOTES:

Discussion & Activities

Activity 1: Tax Survey

Discuss the following question: "Do you support a tax on cigarettes? Why or why not?" Explain your position to the class.

Activity 2: Tax Fairness

Read the following scenario and discuss the role of taxation.

"One sunny day in June, the Vanderbilt and Brown families met at a state park for picnicking and fun. The families drove separately—the Vanderbilts in their new luxury car and the Browns in their 10-year-old compact car—so each family had to pay the $5 entrance fee at the park gates."

- Was the $5 entrance fee fair?
- Explain the role of taxes in this story.

Activity 3: Tax Fairness

Discuss the following situation in relationship to tax fairness. "On that same sunny day, the Browns' next-door neighbors, the O'Learys, picnicked in a city park, where there was no entrance fee."

- Why was this park free?
- How can the park be available "free of charge"?

NOTES:

Discussion & Activities

Activity 4: Tax Penalties

Discuss penalties taxpayers may face and situations in which penalties may be charged. Use the examples below. What other situations can the students find that may apply?

A. Filing Late.

Possible situations are:

- you missed April 15 deadline due to vacation travel outside the United States.
- your spouse agreed to file the forms and didn't.
- you didn't have your records together or organized.
- you missed the deadline due to illness or hospitalization.

B. Paying Too Late:

Possible situations are:

- you forgot to make the payment.
- you spent the money you had saved for taxes on other things.

Discussion Points

Filing Late

- Each taxpayer is responsible for filing the appropriate forms on time. Taxpayers may request an extension.
- If filing jointly, each spouse is equally responsible for filing.
- Taxpayers are responsible for keeping and organizing their records on a regular basis.
- One way to be sure your tax return is filed timely is to file your tax electronically (e.g., by computer, by phone).

Paying Too Late

- Making payments by the due date is a major responsibility. Forgetting is not a reasonable excuse.
- Paying taxes is a financial responsibility. Taxpayers must make taxes part of their budget and financial management practices.

Discussion & Activities

NOTES:

Activity 4: Tax Penalties

Taxpayers who don't pay their fair share of taxes face penalties. Read each penalty described here and think of a taxpaying situation in which it might be charged. (The penalties described are adapted from IRS Publication 17, *Your Federal Income Tax, 1999*.)

A. **Filing Late**

If you do not file your return by the due date, including extensions, you may have to pay a failure-to-file penalty based on the tax not paid by the due date (without regard to extensions). The penalty is usually 5% of the amount due for each month or part of a month that a return is late, up to 25% of the tax due. If you file your return more than 60 days after the due date or extended due date, the penalty will be at least $100 or 100% of the balance of tax due, whichever is smaller. ***Exception:*** You will not have to pay the penalty if you show that you failed to file on time because of reasonable cause and not because of willful neglect.

B. **Paying Too Late**

A failure-to-pay penalty will be assessed if you do not pay your taxes by the due date. The penalty is 1/2 of 1% of your unpaid taxes for each month, or part of a month the tax is not paid, up to 25% of the unpaid amount. This penalty is in addition to the interest charges on late payments.

Answers to Quiz:

Allow students 10 minutes to answer the questions in the quiz. Discuss the answers. Summarize the lesson at the end of the discussion.

1. d Benefits-received and ability-to-pay principles provide fairness to the taxation system.

2. a The benefit is the use of highways and roads paid for by the purchasers of tires.

3. b Household income is the measure of ability-to-pay.

4. a Taxes provide the government the revenue needed to provide services to all in order to benefit the public good.

5. b A person's financial resources are the basis of taxation.

6. b Taxation levels are based on the ability to pay.

SUMMARY

Key Points to Remember

- Taxes shift private resources to the public good.
- Each taxpayer is responsible for filing on time and making the appropriate payments by a specified date. If they do not do this, they can be charged a penalty.
- Taxes can affect and influence consumers' marketplace behavior and decisions.
- The US income tax system is based on taxing different levels of income at different rates.

Quiz:

Circle the correct answer for each question.

1. The two basic principles for distributing tax burden to citizens are:
   a. marginal and average taxes.
   b. proportional and regressive taxes.
   c. proportional and progressive taxes.
   d. benefits-received and ability-to-pay taxes.

2. Which of the following is the best example of benefits-received taxation?
   a. Excise tax on vehicle tires
   b. Federal income tax
   c. Sales tax
   d. Inheritance tax

3. Which of the following is the best example of ability-to-pay taxation?
   a. Excise tax on vehicle tires
   b. Federal income tax
   c. Special purpose property tax assessments
   d. Excise tax on airline tickets

4. In the United States, taxes are necessary for the government to carry out its social, political, and economic responsibilities because taxes:
   a. shift resources from the private to the public sector.
   b. provide the financing to pass legislation to regulate the economy.
   c. allow the government to pay off the national debt.
   d. provide an equal standard of living for all Americans.

5. The two criteria used to judge a person's ability to pay a tax are:
   a. age and need.
   b. income and wealth.
   c. local cost of living and income.
   d. age and family size.

6. The federal income tax is generally recognized to be a:
   a. progressive tax because as people's taxable income grows, the amount paid increases although the percent remains unchanged.
   b. progressive tax because as people's taxable income grows, the percent they pay also increases.
   c. proportional tax because everyone with the same taxable income pays the same tax.
   d. regressive tax because the amount poor people pay is more important to them regardless of the percent of their taxable income they pay.

Instructor's Guide
Economics of Taxation
Intermediate Course

90 minutes

Prerequisite:

- Basic Course: *Economics of Taxation*
- Video: *Economics of Taxation*

Objectives:

After completion of this lesson, students should:

- identify ways taxes shift resources within the economy and affect marketplace behavior.
- understand the various types of taxes and how taxation affects individual behavior
- explain how the underground economy affects all taxpayers

Video Program Overview:

Taxes influence the way people spend or save money—their economic behavior. Some people react to taxes by participating in the underground economy—income-producing activities that are rarely reported and thus not taxed.

Tax burdens on businesses and industries also affect consumer behavior. When a company faces a large tax on its resources, it tries to shift the burden to its customers by raising the price of its products. The ability-to-pay criterion considers that people should pay more tax as their income or wealth rises. By this standard, the federal income tax is fair because it is progressive—higher incomes may be subject to higher tax rates.

NOTES:

EQUIPMENT NEEDED:

Chalk board or flip chart
Overhead projector
Chalk, markers or transparencies

CLASS TO INCLUDE:

Introduction	5 minutes
Video Program Overview	10 minutes
Terminology review	15 minutes
Activities & Discussion	60 minutes

Student's Guide
Economics of Taxation
Intermediate Course

Introduction:

Taxes can affect people's behavior and shift resources within the economy.

During this session you will learn about:

- resources available to individual and communities
- government sources provided by shifted resources
- various types of taxes
- how taxes affect marketplace behavior
- how the underground economy can affect taxes
- penalties associated with failure to report or preparing frivolous returns

VIDEO DISCUSSION NOTES:

Terminology

Market economy - an economic system where the production, buying, and selling of goods and services is determined by the interaction of buyers and sellers in the marketplace

Tax burden - the amount of money that would have to be given to people to make them as well off as they were before the tax was levied

Tax revenue - monies received by the government from taxes and the sale of goods and services

Vertical equity - fairness of the tax burden borne by individuals at different income levels

Discussion & Activities

SECTION A: How Taxes Shift Resources

Activity 1: Resources Available

Discuss the various types of resources available to a family and community.

Types of Resources:
- capital (buildings and equipment)
- human (people's skills, abilities, time)
- natural (environmental)
- financial (money, value)

Activity 2: Shifting Resources

Ask the class to describe how taxes shift resources from private uses to government uses:

> *Answer: Taxes take from individuals and businesses money that could have been used to buy private goods and services. The money is given to the government, which uses it to buy resources needed to provide goods and services for the public (i.e., parks and roadways).*

Write the following headings on the board. Ask the class for their ideas. (Master included in Appendix C.)

Why Resources Are Shifted	Government Services Provided by Shifted Resources
• *to enforce laws and contracts* • *to protect people and property* • *to keep economy healthy* • *to provide goods and services*	• *highways and schools* • *national defense* • *police/fire protection* • *public parks* • *corrections facilities* • *transportation systems*

Discussion Points

Resources Available

- Resources are limited.
- All resources have value.
- People can save and use resources in different ways.

Shifting Resources

- Taxes provide revenue to the government to provide services to the public.
- Each individual in a community could not afford to provide every service needed. The government uses tax money to provide community services (i.e. one family may not be able to make a road).

Discussion & Activities

SECTION A: How Taxes Shift Resources

Activity 1: Resources Available

Discuss and list the four major types of resources and give an example of each. What determines the types of resources available within a community?

Activity 2: Shifting Resources

Explain how taxes help shift resources from private use to government use. Give two examples. Should people pay for only what they use?

Considering what you saw in the video, write your ideas under the appropriate title.

Why Resources Are Shifted	Government Services Provided by Shifted Resources

NOTES:

SECTION B: How Taxes Affect Behavior

Activity 1: Taxes Encourage or Discourage Behavior

Ask students to recall their reactions to the $2 tax on gasoline (refer to Basis Course). What other examples can they cite on other ways that taxes affect consumers' behavior?

> *Answers:*
> *Deductible mortgage interest payments, charitable contributions, and business expenses encourage people to buy homes, give money to charity, and take actions that help their businesses grow.*
>
> *Tax credits for child care expenses encourage parents to put their children in child care and work outside the home.*
>
> *A now-expired energy credit once encouraged homeowners to invest in energy-savings systems.*
>
> *"Sin taxes" may discourage people from buying cigarettes and alcoholic beverages.*

Activity 2: The Underground Economy

In addition to the underground economy, many people break tax laws by failing to provide accurate or all necessary tax information, by missing deadlines, committing fraud (lying about one's identity or financial situation), or evading tax responsibilities. A person may be subject to criminal prosecution (possibly leading to jail terms), or civil penalties (fines) for such actions.

Discussion Points

Taxes Encourage or Discourage Behavior

- People may change their marketplace behavior to avoid paying taxes.
- Some forms of tax credits and deductions are designed to help lower income taxpayers.

The Underground Economy

- Failure to report and pay taxes removes important financial resources from the economy affecting the services offered within the community.
- When some people do not pay their fair share of taxes, the tax burden is passed on to others.

SECTION B: How Taxes Affect Behavior

NOTES:

Activity 1: Taxes Encourage or Discourage Behavior

In the Basic Course, we discussed a $2 tax on gasoline. Think of other ways that taxes affect consumer behavior. For example, how does the property tax and interest exemption affect your decision to purchase a house?

List several ways that taxes affect consumers' behavior.

Activity 2: The Underground Economy

The underground economy consists of money-making activities that people don't report to the government. These may be illegal activities such as selling drugs and stolen goods, loan sharking, gambling, and extortion, or legal activities such as baby-sitting, yard work, garage sales, or tutoring. Because these types of income are not reported, they are not taxed. Failure to report income (unless specifically excluded from taxation) is illegal.

Discuss the underground economy and how it relates to the taxation system. How does the underground economy affect your taxes?

Activity 3: What's the Penalty?

Discuss each penalty, asking students to describe taxpaying situations in which the penalties might be charged.

A. Accuracy Related Penalty: You may have to pay an accuracy-related penalty if (1) there is any underpayment of tax on your return due to negligence or to disregard of rules or regulations or (2) you substantially understate your tax without authority.

B. Penalty for Frivolous Return: A *frivolous return* is one that does not include enough information to figure the correct tax or that contains information clearly showing that the tax you reported is substantially incorrect. A frivolous position on your part, including the altering or striking out of preprinted language above the space provided for your signature, is also subject to the penalty.

Activity 4: Alternative Filing Methods

Discuss various filing methods available to taxpayers. Include the benefits and limitations of using technology (i.e. electronic filing) and other methods.

Discussion Points

Penalties

- Everyone earning a minimum amount of income must file an accurate tax return by the April 15 deadline.
- While timely payment of the taxes is required, the Internal Revenue Service tries to make it easier for taxpayers to comply (e.g. file by phone, file by computer).

Alternative Filing Methods

- One way to be sure your tax return is filed timely is to file your tax return electronically (e.g., by computer, by phone). Filing your balance due tax return electronically will give you the option to file early and pay by April 15.

NOTE: April 15 is the normal filing date. If April 15 falls on a Saturday, Sunday or holiday, tax forms are due by midnight the following Monday.

Activity 3: What's the Penalty?

Taxpayers who don't pay their fare share of taxes face penalties. Read each penalty described here and think of a taxpaying situation in which it might be charged. (The penalties described are adapted from IRS Publication 17, *Your Federal Income Tax, 1999*.)

A. Accuracy-Related Penalty

The penalty is equal to 20% of the underpayment. The penalty is based on the part of the underpayment due to negligence or substantial understatement, not the entire underpayment. You understate the tax if the tax shown on your return is less than the correct tax. You substantially understate your tax if the understatement is more than 10% of the correct tax or $5,000, or whichever is larger.

B. Penalty for Frivolous Return

You may have to pay a penalty of $500 if you file a frivolous return. This penalty is added to any other penalty provided by law and must be paid upon notice and demand by the IRS, even if you protest it.

Activity 4: Alternative Filing Methods

In order to file your taxes in a timely fashion, what options are available to you other than mailing your tax return to the IRS? What are the benefits of these options?

NOTES:

Answers to Quiz (Part 1):

NOTES:

Allow students 10 minutes to answer the questions in the quiz. Discuss the answers. Summarize the important points at the end.

1. c People with higher incomes will generally pay more taxes.

2. d Marginal rates vary with income and can be incentives to work and produce more within the economy

3. a The tax base of Social Security is limited. The Medicare payroll tax applies to all of earned income.

4. c Taxes pay for services that benefit everyone, regardless of the ability to pay for individual services.

5. b Higher fees may encourage people to change their marketplace behavior.

Quiz (Part 1):

Circle the correct answer for each question.

1. A progressive tax is defined as a tax for which the tax, as a percentage of income, increases as:
   a. the inflation rate increases.
   b. government spending increases.
   c. household income increases.
   d. horizontal equity increases.

2. Which of the following is true of marginal tax rates in the personal income tax?
   a. Different marginal rates can apply to different portions or segments of taxable income.
   b. As the marginal tax rate increases, the average tax rate increases.
   c. Marginal tax rates have an effect on incentives to work and to engage in business enterprises.
   d. All of the above.

3. The federal payroll tax that had an earned-income tax maximum base of $72,600 for 1999 is a tax to support:
   a. Social Security.
   b. the Environmental Protection Agency.
   c. Medicare.
   d. unemployment compensation.

4. Taxes are used to pay for police protection because:
   a. the government is most efficient in its use of resources.
   b. the government knows best how to supply these services.
   c. many people who need these services could not afford them.
   d. many people would not choose to purchase these services.

5. An attempt by the government to use taxes to discourage a particular behavior is best demonstrated by the:
   a. fees people pay to camp in national parks.
   b. tax placed on cars that are not fuel efficient.
   c. tax placed on food items.
   d. tolls placed on many roads and bridges.

Answers to Quiz (Part 2):

6. b People (i.e. drivers) who benefit the most from a service (i.e. highways) will pay the most toward it through the benefits-received criterion.

7. c Basic things such as food, electricity and water are needed by everyone. Cultural and sporting events are extra activities. People buy these tickets because they have the ability to pay for them over and above basic needs.

8. a The purchase of a home is an option a person can select. By allowing the deductibility of home mortgage interest payments, government is encouraging the purchase of a home.

9. d Businesses with few competitors will generally pass costs on to their customers because there are fewer businesses the customer can go to for the product or service.

10. d The underground economy exists because people use it as a way to avoid paying taxes.

11. d A regressive tax takes a higher percentage of income from low income people. A tax of $1,000 to a person with an income of $20,000 per year is a higher percentage than to a person with $60,000 per year income.

Summary

Key Points to Remember

- Taxes shift private resources to the public sector.
- Taxes can encourage or discourage marketplace behavior.
- The underground economy unfairly removes important tax revenues from the community.
- Taxpayers may be charged a penalty for inaccurate or frivolous returns.

Quiz (Part 2):

6. The best example of a tax based on the benefits-received criterion is:
    a. an excise tax on alcoholic beverages or tobacco products to be used for general expenses of government.
    b. an excise tax on gasoline that is used to build highways.
    c. a property tax that is used to support local schools.
    d. a tariff on imported goods that is used to build highways and provide other services.

7. If a city government wanted to pass a new tax that is based on the ability-to-pay criterion, the best choice would be to tax:
    a. food sold in stores.
    b. electricity used in homes.
    c. tickets to cultural and sporting events.
    d. water used in homes.

8. An attempt by the government to use taxes to encourage a particular behavior is best demonstrated by the deductibility of:
    a. home mortgage interest payments.
    b. some medical expenses.
    c. some personal losses.
    d. state and local income taxes.

9. When additional taxes are levied on businesses with little competition, their first reaction is to:
    a. ask their employees to work longer hours.
    b. increase their production and sales to earn more income.
    c. pay the tax and accept reduced profits.
    d. pass the tax on to customers in increased prices.

10. Which of the following government choices would most likely reduce the size of the underground economy?
    a. An increase in our tax rates
    b. An increase in the number of sin taxes
    c. A more progressive tax structure
    d. A reduction in our tax rates

11. If a uniform tax of $1,000 was placed on all people, the result would be a:
    a. fairer tax system.
    b. progressive tax.
    c. proportional tax.
    d. regressive tax.

Instructor's Guide
Economics of Taxation
Advanced Course

70 minutes

Prerequisite:

- Basic and Intermediate Courses: *Economics of Taxation*
- Video: *Economics of Taxation*

Objectives:

After completion of this lesson, students should:

- understand the fairness factors related to taxation.
- understand the various principles of taxation.
- identify penalties associated with the underpayment of estimated taxes.

Discussion &Activities

Activity 1: Are Taxes Fair?

Discuss with students information from the video about progressive, regressive, and proportional taxes. Write their responses on the chalkboard or overhead projector.

NOTES:

EQUIPMENT NEEDED:

Chalk board or flip chart
Chalk or color markers
Overhead projector & transparencies

CLASS TO INCLUDE:

Introduction	10 minutes
Discussion & Activities	45 minutes
Quiz & Summary	15 minutes

Student's Guide
Economics of Taxation
Advanced Course

Introduction:

The taxation system tries to establish fairness. Failure to report taxes correctly will result in penalties.

During this session you will learn:

- the principles of fairness related to taxes for progressive, regressive, and proportional taxes.
- about the penalties associated with underpayment of estimated taxes.

Discussion & Activities

Activity 1: Are Taxes Fair?

Write one thing you learned from the video about the following:

a. progressive taxes

b. regressive taxes

c. proportional taxes

Terminology

Horizontal equity - fairness of tax burden borne by individuals at the same income level

Progressive tax - tax that takes a larger percentage of income from high-income groups than from low-income groups

Proportional tax - a tax that takes the same percentage of income from all income groups

Regressive tax - a tax that takes a higher percentage of income from low-income groups than from high-income groups

Activity 2: Progressive, Regressive, and Proportional Tax and Benefits-Received

Have students work in groups of two or three and use the previous definitions to complete the worksheet. Ask the groups to compare and defend their answers.

NOTE: Make an overhead transparency of the worksheet. A copy of the worksheet is in Appendix C.

Answers:
Property: *based on wealth, proportional; based on income, regressive.*
Annual Boat License: *based on wealth, progressive; based on income, regressive.*
Airport Excise: *regressive*

Activity 2 Worksheet

Type of Tax	Situation	Proportional, Progressive or Regressive Tax?	Is Tax Based on Benefits Received? Yes or No?	Is Tax Based on Ability to Pay? Yes or No?
Property 10% of the value of house and land	**A.** Julia is employed full time and earns $65,000. She owns her home, valued at $140,000, and a vacation home in another state valued at $120,000.	Proportional	No	No
	B. Harry and Mildred are 76 and 78 years old. Their only income is Social Security. They own their home, valued at $120,000.	Regressive	No	No
Annual Boat License 5% of value of boats 0-17 feet long 12% of value of boats 18-35 feet long	**A.** The Coles have an annual income of $47,000. They own a 30-foot boat given to them by an uncle.	Progressive	No	No
	B. Maria owns a 16-foot power boat. Her annual income is $56,000.	Regressive	No	No
Airport Excise All passengers landing at a specific airport are charged a fee of 15%	**A.** Linda is traveling on business. Her roundtrip ticket cost $685. Her annual income is $78,000.	Regressive	Yes	No
	B. Louis's and Sam's discount airline tickets for their vacation trip cost $250 each. Their combined annual income is $92,000.	Regressive	Yes	No

Activity 2: Progressive, Regressive, and Proportional Taxes, and Benefits Received

Review the definitions of progressive, regressive, and proportional taxes. Remember that a person's ability to pay taxes can be based on the value of property (stocks, savings accounts, houses, and other assets and property) or on income (wages, interest, profits, rents, or other payments).

Work with your team to complete the worksheet. You will then compare and defend your answers with the other groups.

Activity 2 Worksheet

Type of Tax	Situation	Proportional, Progressive or Regressive Tax?	Is Tax Based on Benefits Received? Yes or No?	Is Tax Based on Ability to Pay? Yes or No?
Property 10% of the value of house and land	**A**. Julia is employed full time and earns $65,000. She owns her home, valued at $140,000, and a vacation home in another state valued at $120,000 **B**. Harry and Mildred are 76 and 78 years old. Their only income is Social Security. They own their home, valued at $120,000			
Annual Boat License 5% of value of boats 0-17 feet long 12% of value of boats 18-35 feet long	**A**. The Coles have an annual income of $47,000. They own a 30-foot boat given to them by an uncle **B**. Maria owns a 16-foot power boat. Her annual income is $56,000			
Airport Excise All passengers landing at a specific airport are charged a fee of 15%	**A**. Linda is traveling on business. Her roundtrip ticket cost $685. Her annual income is $78,000 **B**. Louis's and Sam's discount airline tickets for their vacation trip cost $250 each Their combined annual income is $92,000			

Penalty for Underpayment of Estimated Taxes

The amount of penalty is figured on the adequacy of the amount paid in each quarter to the IRS. An exception to the 100% rule may apply for taxpayers whose income increased substantially over last year's income.

Discussion Points

Penalty for Underpayment of Estimated Taxes

- Income taxes need to be paid quarterly.
- Taxpayers must pay at least 90% of their tax owed by April 15 or a penalty will be assessed.
- Penalizing taxpayers for underpayment of taxes reinforces fairness in the taxation system.

Penalty for Underpayment of Estimated Taxes

In certain instances, a penalty is levied against the taxpayer if enough taxes have been withheld from the taxpayer's salary, and/or an insufficient amount was paid quarterly to the IRS by the taxpayer.

These quarterly payments are usually made on income not subject to withholding, such as interest, dividends, rents, alimony, and royalties.

Generally, no penalty is levied if the taxpayer has paid 90% of his/her owed tax for the year or has paid an amount equal to 100% of taxes paid in the previous year.

NOTES:

Answers to Quiz (Part 1):

Allow the students 10 minutes to answer the questions in the quiz. Discuss the answers. Summarize the important points at the end.

1. b More income goes to taxes, and less income goes to the worker.

2. a National defense benefits everyone.

3. d Welfare and social entitlement programs are designed to help the least fortunate. A fee for services would negatively impact the recipients of these services.

4. c Families with fewer expenses and higher incomes are more able to pay taxes.

5. b A fee paid for services used will discourage certain behavior.

6. d If interest income is taxed at a lower rate, people would probably save more money.

NOTES:

Quiz (Part 1):

Circle the correct answer for each question.

1. A higher marginal income tax rate on earned income has the effect of:
   a. increasing the financial reward for work effort.
   b. decreasing the financial reward for work effort.
   c. has no effect on the financial reward for work effort.
   d. the income tax has an average tax rate, but no marginal tax rates.

2. It would be unrealistic to collect taxes to pay for national defense based on the benefits-received criterion because:
   a. it is difficult to measure how much benefit each individual receives from national defense spending.
   b. not all Americans benefit from our national defense spending.
   c. people employed in the defense industry would pay more than their fair share of the tax burden
   d. some people feel it is morally wrong to support this type of spending with their tax payments.

3. It would be unreasonable to expect a tax or a fee for service to be based on the benefits-received criterion when it is used to support:
   a. the construction and maintenance of airports.
   b. the interstate highway system.
   c. the maintenance of our national park system.
   d. welfare and other social entitlement programs.

4. Which of the following couples probably has the best ability to pay taxes based on income?
   a. A couple who owns a 200-acre farm that provides $30,000 a year in gross income.
   b. A couple with five children and $40,000 a year income.
   c. A couple with no children and who each earns $35,000 a year
   d. A retired couple who lives on Social Security benefits in a rural community.

5. The City of Mount Pleasant wants to decrease the amount of trash being placed in its landfill. The policy most likely to have the desired effect would be a fee of :
   a. $20 a month for trash collection per household.
   b. $2 per bag of trash collected.
   c. $5 a month for each member of every household.
   d. an amount of money per month based on household income.

6. People would most likely be encouraged to save more money with a law that:
   a. decreases sales taxes.
   b. provides people who buy fuel-efficient furnaces with a tax credit equal to 20% of the furnace's cost.
   c. removes the luxury tax on expensive automobiles.
   d. sets the maximum tax rate on interest income at 10%.

Answers to Quiz (Part 2):

7. c Walter pays a larger percentage of his income in property taxes.

8. b Property values in a community are often similar, making the property taxes proportional. Incomes of property owners will vary, making the tax regressive.

9. a The users of the lakes and rivers will both pay for and benefit from the quality of the lakes and waterways.

10. d When certain users of products pay a tax, they pay more toward government services. These taxes, called "sin" taxes, may discourage behavior.

Summary

Key Points to Remember

- Progressive taxes take a larger percentage of income from high-income groups than from low-income groups.
- Regressive taxes take a bigger percentage of income from low-income groups.
- Proportional taxes impose the same rate of tax on all income groups.
- The principles help to maintain equality and fairness in the taxation system.
- Different people view taxation differently.

Quiz (Part 2):

7. Suppose that Maria and Walter are both homeowners, single, 35 years old, and have no dependents. Maria earned $32,000 last year and paid $1,600 in property taxes while Walter earned $20,000 and paid $1,100 in property taxes. Based on Maria's and Walter's incomes, their property taxes:
   a. are progressive.
   b. are proportional.
   c. are regressive.
   d. could be either progressive or regressive.

8. Most property taxes on houses here in the United States are considered to be:
   a. a progressive tax when based on the value of the home but a proportional tax when based on income earned by the family unit.
   b. a proportional tax when based on the value of the home but regressive when considering the income earned by the family unit.
   c. a regressive tax when based on the value of the home and progressive when based on income earned by the family unit.
   d. a regressive tax when based on the value of the home and a proportional tax when based on income earned by the family unit.

9. Which of the following taxes or fees for services best fulfills the benefits-received and the ability-to-pay principles?
   a. Annual boat license fee for pleasure craft, which is used to keep the lakes/waterways in good shape
   b. Progressive state income tax, which supports highways, courts, prisons, and state colleges
   c. Property tax, which is used primarily to support local education
   d. A toll on a road, which is used to maintain the road

10. A new increase in the tax on alcoholic beverages which goes toward general governmental activities would most please a person who strongly believes in:
   a. the ability-to-pay criterion
   b. the benefits-received criterion.
   c. a system of progressive taxes.
   d. taxes that discourage consumption.

Becoming Taxwise

A Module of

Taxes & You

1999 Edition

Instructor's Guide
Becoming Taxwise
Lesson 1: Only What You Owe, Forms W-2 & W-4

90 minutes

Introduction:

Paying taxes is part of personal financial management, including decision making, planning, organizing financial records and activities, and understanding tax law.

Objectives:

After this lesson, students should understand:

- the differences between tax avoidance and tax evasion.
- the purpose of Form W-2 and Form W-4.
- the basics of tax adjustments, exemptions, deductions and credits.

Before the Video "Only What You Owe"

1. Ask the students the following questions. Write their answers on the board.
    - "True or false? Tax avoidance is against the law."
    - "True or False? It is better to get a large tax refund than to pay a little more money when you file your tax return."

Encourage students to watch for the correct answers in the video.

Video Summary

- Many people pay more federal income tax than necessary because they misunderstand tax laws and do not organize their financial records. People interviewed on the street give their opinions about tax avoidance—a perfectly *legal* activity.
- Some people say it is better to receive a large tax refund each year. A tax refund prevents them from earning interest on the excess money withheld.
- Every taxpayer must figure how much tax he or she owes. Employees complete the Form W-4 so their employers can determine how much tax should be withheld from each paycheck.

continued on page 17.1

EQUIPMENT NEEDED:

VCR & TV
Chalk board or flip chart
Chalk or markers
Overhead projector and transparencies

CLASS TO INCLUDE:

Introduction	10 minutes
Video, "Only What You Owe"	20 minutes
Discussion & Activities	45 minutes
Quiz & Summary	15 minutes

Student's Guide
Becoming Taxwise
Lesson 1: Only What You Owe, Forms W-4 & W-2

Introduction:

Paying taxes is part of financial management. By understanding taxation, you will pay only what you owe.

During this session you will learn:

- the difference between tax avoidance and tax evasion.
- the importance of personal financial planning, organization, decision making, and understanding tax law.
- how tax adjustments, exemptions, deductions, and credits can be used to increase after-tax income.
- the benefits of keeping good tax records.
- when an activity to reduce tax liability is worthwhile.
- the benefits of planning for sufficient withholding on Form W-4.
- the format of Form W-4.
- the purpose and format of Form W-2.

VIDEO NOTES:

Terminology

Adjusted gross income (AGI) - AGI is the income you receive less tax exempt income and certain adjustments to income, such as IRA deposits

Adjustments - allowable subtractions from total income to determine adjusted gross income

After-tax income - one's annual income, reduced by the income taxes paid

Deductions - allowable subtractions from adjusted gross income to decrease taxable income

Exemptions - reductions to adjusted gross income for the taxpayer, his or her spouse, and dependents

Income - Income subject to personal income taxation includes many types of receipts a person may have during the year. The most common are wages, salaries, business profit, and interest income. Some types of income, such as Social Security benefits, may be only partially taxable. Some monetary receipts

continued on page 17

PUBLICATIONS:

501	*Exemption, Standard Deduction, and Filing Information*
505	*Tax Withholding and Estimated Tax*
525	*Taxable and Nontaxable Income*
552	*Recordkeeping for Individuals*

TELE-TAX TOPICS:

753	*Form W-4—Employee's Withholding Allowance Certificate*

Discussion & Activities

Activity 1: After the Video

A. Ask each student if his or her opinion has changed about tax refunds. Discuss Form W-4 and why it may be preferable to have the right amount of tax money withheld from each paycheck.

> *Answer: Employees file the W-4 Form to determine their withholding. If too much money is withheld each pay period, employees will receive a refund of the taxes they overpaid. The refund comes without interest it could have earned if it were deposited in a savings account each pay period. If too little money is withheld, employees must pay the taxes owed on or before April 15, and the IRS may assess a penalty for underpayment.*

B. Ask students to name ways that Dave and Mary have changed their tax filing activities from the previous year.

> *Answer: This year Dave and Mary kept a file for each type of deduction. They stayed informed about current tax laws and learned ways they could reduce their tax liability — long before April 15. This helped them to make important decisions about their personal finances and to better organize their tax records.*

C. Discuss what changes, if any, the students will make in their own tax preparation activities.

Examples:
- *Set up a file for receipts*
- *Start preparing earlier*
- *Check their W-4 Form with their employer*
- *Get all forms earlier*
- *Talk to spouse about taxes*

Video Summary *continued*

- Taxpayers should carefully choose which of the individual income tax forms will most benefit their income and deduction situations. Tax laws let people take adjustments, exemptions, and deductions to lessen their taxable income. Tax credits directly reduce their tax liability.

- Episodes from the lives of Dave and Mary, a married couple, show how they have learned to organize their tax records. They know that careful planning, decision making, and understanding tax law can help them reduce their tax liability and save money.

- The narrator discusses a number of tax-reducing financial decisions that can be made throughout the year. Taxpayers who invest in certain types of bonds or mutual funds may receive tax-free interest. Deferred compensation plans put pretax money from each paycheck into investments. The money is not taxed until it is used, typically after retirement, when a person's tax rate is likely to be lower.

Discussion & Activities

Activity 1: After the Video

A. What is your view regarding tax refunds? How does it differ from your point-of-view before the video?

B. What did Dave and Mary do to change their tax filing activity?

C. List 3 changes you will make in your tax preparation activities.

Terminology *continued*

are not subject to income taxation. Two examples are interest earned from qualified state government bonds and scholarship money used to pay college tuition. This income is called nontaxable income or tax-exempt income.

Tax avoidance - actions taken to lessen tax liability and maximize after-tax income (a legal activity).

Tax credits - amounts that can be credited directly against tax liability, usually based on expenses for specific items

Tax evasion - failure to pay or a deliberate underpayment of taxes (an illegal activity)

Tax liability - the amount of tax that must be paid

Taxable income - the portion of total income subject to taxation

Withholding - paying income tax as the income is earned; employers deduct money from employees' paychecks and deposit the money for the Internal Revenue Service. Employees will credit the amount withheld against their tax liabilities.

Form W-4

Withholding is the procedure for paying taxes on wages and salaries. Employers withhold money for federal taxes from employees' paychecks. Employers then deposit taxes withheld in an Internal Revenue Service account in a qualified bank.

By the end of the year, the tax withheld by your employer(s) should be close to the amount of your actual tax liability calculated on your tax return. Each pay period you normally receive information on the amount of tax withheld. In January of each year, you should receive a Form W-2 from your employer(s) which summarizes taxes withheld for the previous calendar year.

The Personal Allowances Worksheet

All employees should complete the Personal Allowances Worksheet first. Read the instructions carefully. Keep in mind that every time you enter an allowance, you are indicating a factor that will reduce the amount of tax withheld from your paychecks.

NOTE: The number of allowances on Form W-4 may not be the same as the number of personal exemptions on an actual tax return. Form W-4 allowances include personal exemptions, but may include additional factors as well.

Activity 2: Withholding

Ask students to bring in a paycheck stub. Can they find the amount of money withheld from their wages for federal taxes? What other taxes are withheld (i.e. state income tax, unemployment tax)?

Discussion Points

- Federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income throughout the year.
- Taxes are collected through:
  1. tax withholding
  2. estimated tax payments.
- Withholding is the procedure for paying taxes on wages and salaries. Money is withheld by employers from employees' paychecks and paid to the IRS.
- The tax withheld should be close to the amount of actual tax liability calculated on one's tax return.
- In January, a W-2 Form, summarizing taxes withheld for the previous calendar year, is sent to the employee.

Form W-4

Employees play an important role in determining the amount of taxes withheld by filling out a Form W-4, *Employee's Withholding Allowance Certificate*. This form must be completed when you begin a new job. On this form, you claim a certain number of allowances for tax withholding. When more allowances are claimed, less tax is withheld from a given amount of wage or salary income. Form W-4 provides information to your employer to withhold tax from your pay that corresponds closely to your total tax liability.

The amount of income you earn and the information provided to your employer by Form W-4 determine the amount withheld. With more income, more tax is withheld. With fewer allowances claimed on Form W-4, more money for taxes is withheld.

You can change taxes withheld from your pay at any time by giving your employer a revised Form W-4. You might want to lower the number of allowances on Form W-4 if you had to pay additional tax with the previous year's tax return. To avoid another tax shortfall, you can give your employer a revised Form W-4 to have more taxes withheld each pay period. The federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income throughout the year. There are two ways to do this: 1) tax withholding and 2) estimated tax payments.

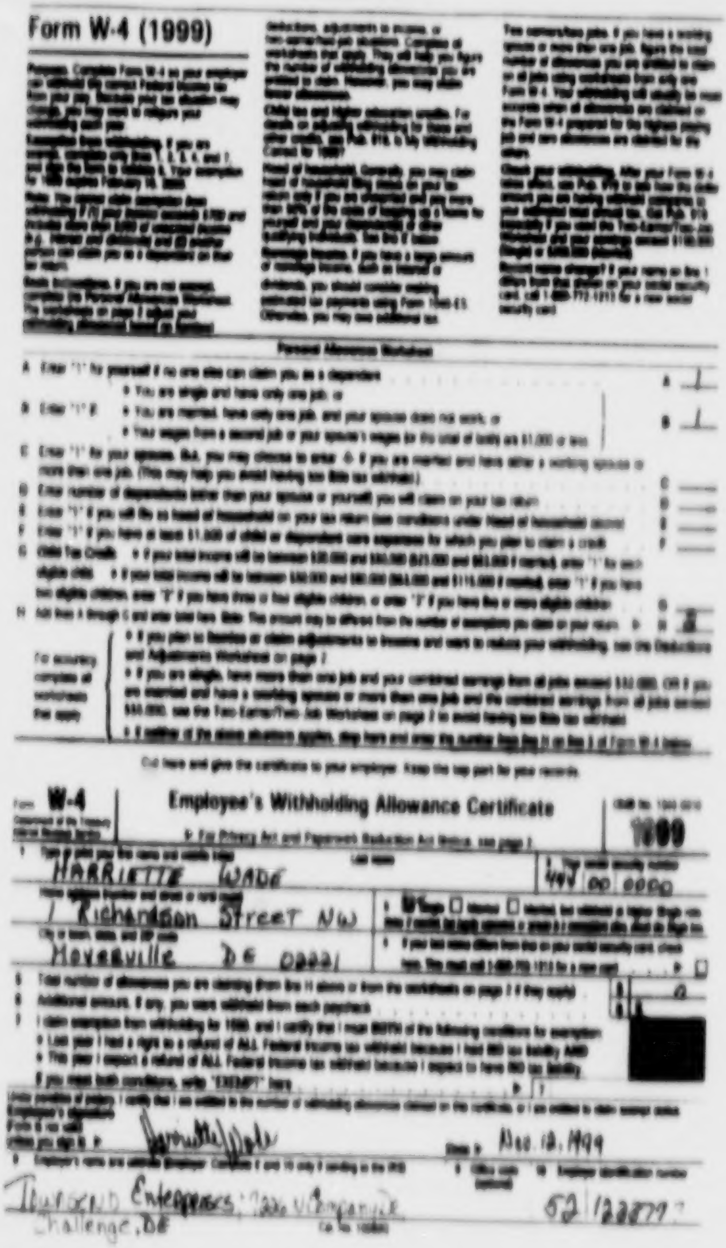
Activity 2: Withholding

Look a at recent pay check stub.

Find the information on federal taxes withheld.
What other taxes are withheld?

NOTES:

Sample Form W-4



Form W-4 (1999)

Personal Allowances Worksheet

A 1

B 1

H 2

Form **W-4**

Employee's Withholding Allowance Certificate

1999

HARRIETTE WADE

447 00 0000

1 Richardson Street NW

Hovesville DE 02221

5 0

[redacted]

Aug. 12, 1999

Townsend Enterprises, [illegible]
Challenge, DE

52 122877

Form W-4

Line A. You have one withholding allowance for yourself if no one else can claim you as a dependent.

Line B. You have one allowance if any one of the three statements is true of your employment situation.

Line C. Just as you have one allowance for yourself, you may also have an allowance for your spouse.

Line D. You can claim one allowance for each person you claim as a dependent on your tax return. Normally, your dependents are your children.

Line E. Since head of household status generally reduces tax owed for a single person, you can have one allowance if you can claim this filing status.

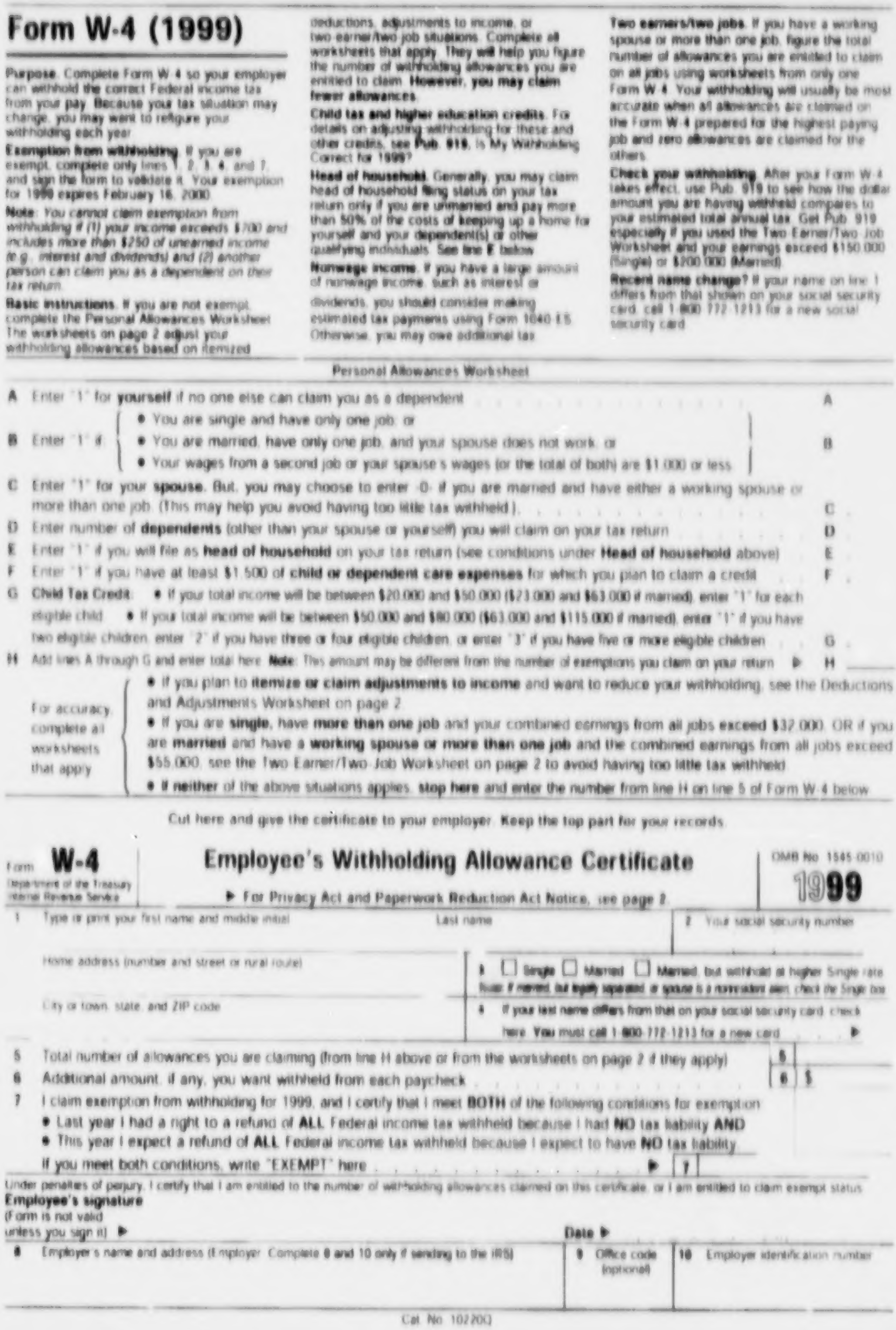
Line F. You have one withholding allowance if you expect to have at least $1,500 of qualifying child or dependent care expenses for which you plan to claim a credit.

Line G. Compute your withholding allowance based on your income and the number of eligible children under 17 years of age.

Line H. This is the total of Lines A through F.

BEST COPY AVAILABLE

Sample Form W-4



Form W-4 (1999)

Purpose. Complete Form W-4 so your employer can withhold the correct Federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7, and sign the form to validate it. Your exemption for 1999 expires February 16, 2000.

Note: *You cannot claim exemption from withholding if (1) your income exceeds $700 and includes more than $250 of unearned income (e.g., interest and dividends) and (2) another person can claim you as a dependent on their tax return.*

Basic instructions. If you are not exempt, complete the Personal Allowances Worksheet. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, adjustments to income, or two-earner/two-job situations. Complete all worksheets that apply. They will help you figure the number of withholding allowances you are entitled to claim. **However, you may claim fewer allowances.**

Child tax and higher education credits. For details on adjusting withholding for these and other credits, see **Pub. 919,** Is My Withholding Correct for 1999?

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. **See line E below.**

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, you should consider making estimated tax payments using Form 1040-ES. Otherwise, you may owe additional tax.

Two earners/two jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding will usually be most accurate when all allowances are claimed on the Form W-4 prepared for the highest paying job and zero allowances are claimed for the others.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the dollar amount you are having withheld compares to your estimated total annual tax. Get Pub. 919 especially if you used the Two-Earner/Two-Job Worksheet and your earnings exceed $150,000 (Single) or $200,000 (Married).

Recent name change? If your name on line 1 differs from that shown on your social security card, call 1-800-772-1213 for a new social security card.

Personal Allowances Worksheet

A Enter "1" for **yourself** if no one else can claim you as a dependent . . . . **A** ____

B Enter "1" if:
- You are single and have only one job; or
- You are married, have only one job, and your spouse does not work; or
- Your wages from a second job or your spouse's wages (or the total of both) are $1,000 or less.

B ____

C Enter "1" for your **spouse.** But, you may choose to enter -0- if you are married and have either a working spouse or more than one job. (This may help you avoid having too little tax withheld.) . . . . **C** ____

D Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return . . . . **D** ____

E Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above) . . **E** ____

F Enter "1" if you have at least $1,500 of **child or dependent care expenses** for which you plan to claim a credit . . **F** ____

G **Child Tax Credit:** • If your total income will be between $20,000 and $50,000 ($23,000 and $63,000 if married), enter "1" for each eligible child. • If your total income will be between $50,000 and $80,000 ($63,000 and $115,000 if married), enter "1" if you have two eligible children, enter "2" if you have three or four eligible children, or enter "3" if you have five or more eligible children . . **G** ____

H Add lines A through G and enter total here. **Note:** This amount may be different from the number of exemptions you claim on your return ▶ **H** ____

For accuracy, complete all worksheets that apply
- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.
- If you are **single,** have **more than one job** and your combined earnings from **all** jobs **exceed $32,000,** OR if you are **married** and have a **working spouse or more than one job** and the combined earnings from all jobs exceed $55,000, see the Two-Earner/Two-Job Worksheet on page 2 to avoid having too little tax withheld.
- **If neither** of the above situations applies, **stop here** and **enter the number from line H on line 5 of Form W-4 below.**

Cut here and give the certificate to your employer. Keep the top part for your records.

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ For Privacy Act and Paperwork Reduction Act Notice, see page 2.

OMB No. 1545-0010
1999

1 Type or print your first name and middle initial — Last name

2 Your social security number

Home address (number and street or rural route)

3 ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate.
Note: *If married, but legally separated, or spouse is a nonresident alien, check the Single box.*

City or town, state, and ZIP code

4 **If your last name differs from that on your social security card, check here. You must call 1-800-772-1213 for a new card** . . . . ▶ ☐

5 Total number of allowances you are claiming (from line H above or from the worksheets on page 2 if they apply) **5** ____

6 Additional amount, if any, you want withheld from each paycheck . . . . **6** $ ____

7 I claim exemption from withholding for 1999, and I certify that I meet **BOTH** of the following conditions for exemption:
- Last year I had a right to a refund of **ALL** Federal income tax withheld because I had **NO** tax liability **AND**
- This year I expect a refund of **ALL** Federal income tax withheld because I expect to have **NO** tax liability.

If you meet both conditions, write "EXEMPT" here . . . . ▶ **7** ____

Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate, or I am entitled to claim exempt status.

Employee's signature
(Form is not valid
unless you sign it) ▶ **Date ▶**

8 Employer's name and address (Employer: Complete 8 and 10 only if sending to the IRS)

9 Office code (optional)

10 Employer identification number

Cat. No. 10220Q

Sample Form W-4, Page 2

Form W-4 (1999) Wade Page **2**

Deductions and Adjustments Worksheet

Note: *Use this worksheet only if you plan to itemize deductions or claim adjustments to income on your 1999 tax return.*

1	Enter an estimate of your 1999 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes (but not sales taxes), medical expenses in excess of 7.5% of your income, and miscellaneous deductions. (For 1999, you may have to reduce your itemized deductions if your income is over $126,600 ($63,300 if married filing separately). Get Pub. 919 for details.)	1	$ 428.00
2	Enter { $7,200 if married filing jointly or qualifying widow(er) $6,350 if head of household $4,300 if single $3,600 if married filing separately }	2	$ 4300.00
3	**Subtract** line 2 from line 1. If line 2 is greater than line 1, enter -0-	3	$ –0–
4	Enter an estimate of your 1999 adjustments to income, including alimony, deductible IRA contributions, and student loan interest	4	$
5	**Add** lines 3 and 4 and enter the total	5	$ –0–
6	Enter an estimate of your 1999 nonwage income (such as dividends or interest)	6	$ 900.00
7	**Subtract** line 6 from line 5. Enter the result, but not less than -0-	7	$ –0–
8	**Divide** the amount on line 7 by $3,000 and enter the result here. Drop any fraction	8	
9	Enter the number from Personal Allowances Worksheet, line H, on page 1	9	
10	**Add** lines 8 and 9 and enter the total here. If you plan to use the Two-Earner/Two-Job Worksheet, also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, on page 1	10	–0–

Two-Earner/Two-Job Worksheet

Note: *Use this worksheet only if the instructions for line H on page 1 direct you here.*

1	Enter the number from line H on page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet)	1	
2	Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here	2	
3	If line 1 is **GREATER THAN OR EQUAL TO** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter -0-) and on Form W-4, line 5, on page 1. **DO NOT** use the rest of this worksheet	3	

Note: *If line 1 is **LESS THAN** line 2, enter -0- on Form W-4, line 5, on page 1. Complete lines 4–9 to calculate the additional withholding amount necessary to avoid a year end tax bill.*

4	Enter the number from line 2 of this worksheet	4	
5	Enter the number from line 1 of this worksheet	5	
6	**Subtract** line 5 from line 4	6	
7	Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here	7	$
8	**Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding amount needed	8	
9	Divide line 8 by the number of pay periods remaining in 1999. (For example, divide by 26 if you are paid every other week and you complete this form in December 1998.) Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck	9	$

Table 1: Two-Earner/Two-Job Worksheet

Married Filing Jointly				All Others			
If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above
$0 - $4,000	0	40,001 - 45,000	8	$0 - $5,000	0	65,001 - 80,000	8
4,001 - 7,000	1	45,001 - 54,000	9	5,001 - 11,000	1	80,001 - 100,000	9
7,001 - 12,000	2	54,001 - 62,000	10	11,001 - 16,000	2	100,001 and over	10
12,001 - 18,000	3	62,001 - 70,000	11	16,001 - 21,000	3		
18,001 - 24,000	4	70,001 - 85,000	12	21,001 - 25,000	4		
24,001 - 28,000	5	85,001 - 100,000	13	25,001 - 40,000	5		
28,001 - 35,000	6	100,001 - 110,000	14	40,051 - 50,000	6		
35,001 - 40,000	7	110,001 and over	15	50,001 - 65,000	7		

Table 2: Two-Earner/Two-Job Worksheet

Married Filing Jointly		All Others	
If wages from **HIGHEST** paying job are—	Enter on line 7 above	If wages from **HIGHEST** paying job are—	Enter on line 7 above
$0 - $50,000	$400	$0 - $30,000	$400
50,001 - 100,000	770	30,001 - 60,000	770
100,001 - 130,000	850	60,001 - 120,000	850
130,001 - 240,000	1,000	120,001 - 250,000	1,000
240,001 and over	1,100	250,001 and over	1,100

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. The Internal Revenue Code requires this information under sections 3402(f)(2)(A) and 6109 and their regulations. Failure to provide a properly completed form will result in your being treated as a single person who claims no withholding allowances; providing fraudulent information may also subject you to penalties. Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, and the District of Columbia for use in administering their tax laws.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping** 46 min., **Learning about the law or the form** 10 min., **Preparing the form** 1 hr., 10 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the tax form to this address. Instead, give it to your employer.

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Sample Form W-4, Page 2

Deductions and Adjustments Worksheet

Note: *Use this worksheet only if you plan to itemize deductions or claim adjustments to income on your 1999 tax return.*

1 **Enter an estimate of your 1999 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes (but not sales taxes), medical expenses in excess of 7.5% of your income, and miscellaneous deductions. (For 1999, you may have to reduce your itemized deductions if your income is over $126,600 ($63,300 if married filing separately). Get Pub. 919 for details.)** . . . 1 $______

2 Enter: { **$7,200 if married filing jointly or qualifying widow(er)** / **$6,350 if head of household** / **$4,300 if single** / **$3,600 if married filing separately** } . . . 2 $______

3 **Subtract** line 2 from line 1. If line 2 is greater than line 1, enter -0- . . . 3 $______

4 Enter an estimate of your 1999 adjustments to income, including alimony, deductible IRA contributions, and student loan interest . . . 4 $______

5 **Add** lines 3 and 4 and enter the total . . . 5 $______

6 Enter an estimate of your 1999 nonwage income (such as dividends or interest) . . . 6 $______

7 **Subtract** line 6 from line 5. Enter the result, but not less than -0- . . . 7 $______

8 **Divide** the amount on line 7 by $3,000 and enter the result here. Drop any fraction . . . 8 ______

9 Enter the number from Personal Allowances Worksheet, line H, on page 1 . . . 9 ______

10 **Add** lines 8 and 9 and enter the total here. If you plan to use the Two-Earner/Two-Job Worksheet, also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, on page 1 . . . 10

Two-Earner/Two-Job Worksheet

Note: *Use this worksheet only if the instructions for line H on page 1 direct you here.*

1 Enter the number from line H on page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet) . . . 1

2 Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here . . . 2

3 If line 1 is **GREATER THAN OR EQUAL TO** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter -0-) and on Form W-4, line 5, on page 1. **DO NOT** use the rest of this worksheet . . . 3

Note: *If line 1 is* ***LESS THAN*** *line 2, enter -0- on Form W-4, line 5, on page 1. Complete lines 4–9 to calculate the additional withholding amount necessary to avoid a year end tax bill.*

4 Enter the number from line 2 of this worksheet . . . 4 ______

5 Enter the number from line 1 of this worksheet . . . 5 ______

6 **Subtract** line 5 from line 4 . . . 6 ______

7 Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here . . . 7 $______

8 **Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding amount needed . . . 8 ______

9 Divide line 8 by the number of pay periods remaining in 1999. (For example, divide by 26 if you are paid every other week and you complete this form in December 1998.) Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck . . . 9 $

Table 1: Two-Earner/Two-Job Worksheet

Married Filing Jointly				All Others			
If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above
$0 - $4,000	0	40,001 - 45,000	8	$0 - $5,000	0	65,001 - 80,000	8
4,001 - 7,000	1	45,001 - 54,000	9	5,001 - 11,000	1	80,001 - 100,000	9
7,001 - 12,000	2	54,001 - 62,000	10	11,001 - 16,000	2	100,001 and over	10
12,001 - 18,000	3	62,001 - 70,000	11	16,001 - 21,000	3		
18,001 - 24,000	4	70,001 - 85,000	12	21,001 - 25,000	4		
24,001 - 28,000	5	85,001 - 100,000	13	25,001 - 40,000	5		
28,001 - 35,000	6	100,001 - 110,000	14	40,001 - 50,000	6		
35,001 - 40,000	7	110,001 and over	15	50,001 - 65,000	7		

Table 2: Two-Earner/Two-Job Worksheet

Married Filing Jointly		All Others	
If wages from **HIGHEST** paying job are—	Enter on line 7 above	If wages from **HIGHEST** paying job are—	Enter on line 7 above
$0 - $50,000	$400	$0 - $30,000	$400
50,001 - 100,000	770	30,001 - 60,000	770
100,001 - 130,000	850	60,001 - 120,000	850
130,001 - 240,000	1,000	120,001 - 250,000	1,000
240,001 and over	1,100	250,001 and over	1,100

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The time needed to complete this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping** 46 min., **Learning about the law or the form** 10 min., **Preparing the form** 1 hr., 10 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the tax form to this address. Instead, give it to your employer.

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Activity 3: Situations and Form W-4

NOTES:

Case 1
Amber Sing is married and earns $30,000 and cannot be claimed as a dependent on anyone else's tax return. Her husband is employed and earns approximately $25,000 annually. He does not claim any allowances on his W-4. Amber and her husband have two dependent children under 17. Her child care expenses, which are eligible for the child care credit, are about $3,000 per year. How many allowances can she claim on Form W-4?

> *Answer: Amber Sing can claim seven allowances. She has one allowance for herself, one for her husband, two for her dependent children, one for dependent care expenses, two for the child tax credit.*

Case 2
Tim Richardson is single, has no dependents, and cannot be claimed as a dependent on anyone else's tax return. He has one job. How many allowances can he claim on Form W-4?

> *Answer: Tim Richardson can claim two allowances on his Form W-4; one for himself and one for having just one job.*

Activity 3: Situations and Form W-4

NOTES:

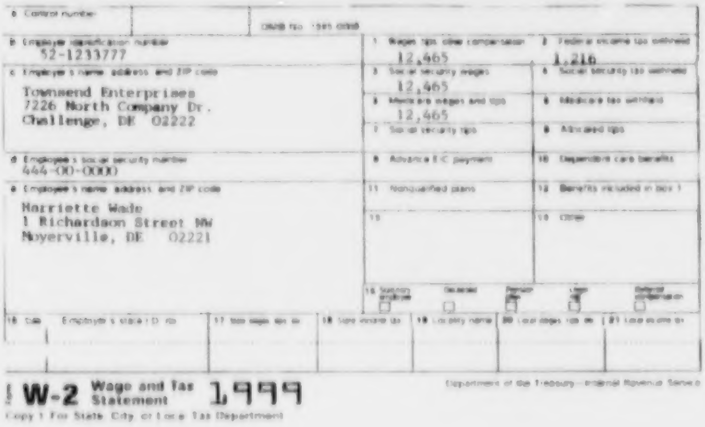
Case 1

Amber Sing is married and earns $30,000 and cannot be claimed as a dependent on anyone else's tax return. Her husband is employed and earns approximately $25,000 annually. He does not claim any allowances on his W-4. Amber and her husband have two dependent children under 17. Her child care expenses, which are eligible for the child care credit, are about $3,000 per year. How many allowances can she claim on Form W-4?

Case 2

Tim Richardson is single, has no dependents, and cannot be claimed as a dependent on anyone else's tax return. He has one job. How many allowances can he claim on Form W-4?

Sample Form W-2



a Control number

OMB No. 1545-0008

b Employer identification number
52-1233777

c Employer's name, address, and ZIP code
Townsend Enterprises
7226 North Company Dr.
Challenge, DE 02222

d Employee's social security number
444-00-0000

e Employee's name, address, and ZIP code
Harriette Wade
1 Richardson Street NW
Moyerville, DE 02221

1 Wages, tips, other compensation
12,465

2 Federal income tax withheld
1,216

3 Social security wages
12,465

4 Social security tax withheld

5 Medicare wages and tips
12,465

6 Medicare tax withheld

7 Social security tips

8 Allocated tips

9 Advance EIC payment

10 Dependent care benefits

11 Nonqualified plans

12 Benefits included in box 1

13

14 Other

15 ☐ ☐ ☐ ☐ ☐

16 State Employer's state I.D. no.

17 State wages, tips, etc.

18 State income tax

19 Locality name

20 Local wages, tips, etc.

21 Local income tax

W-2 Wage and Tax Statement 1999

Department of the Treasury—Internal Revenue Service

Copy 1 For State, City, or Local Tax Department

NOTE: Make a transparency of this W-2. A copy can be found in Appendix C.

The maximum wages subject to the Social Security tax was $72,600 for 1999. As long as wages are $72,600 or less, the amounts in Box 1 and Box 3 usually are the same. When wages go beyond $72,600, Social Security wages remain at $72,600. The Social Security tax rate in 1999 was 6.2% of Social Security wages. Once an employee reaches $72,600 of wages, no additional Social Security tax is withheld.

Box 5 shows wages and tip base for the Medicare tax. Box 6 shows the total amount of tax withheld for Medicare. The amount of wages subject to the tax for Medicare was unlimited for 1999. The Medicare tax rate in 1999 was 1.45% of Medicare wages.

Activity 4: Estimated Taxes

Harriette Wade works as a dental assistant for Dr. Chan. She also teaches photography to people in the evenings. Through her photography instructions, she earns an additional $4,000 during the year. Is Harriette's income from her photography instructions included in the W-2 above? If not, why? What must Harriette do to cover the taxes on this income?

> *Harriette's income from photography is not included in this Form W-2. She must pay estimated taxes or increase her withholdings.*

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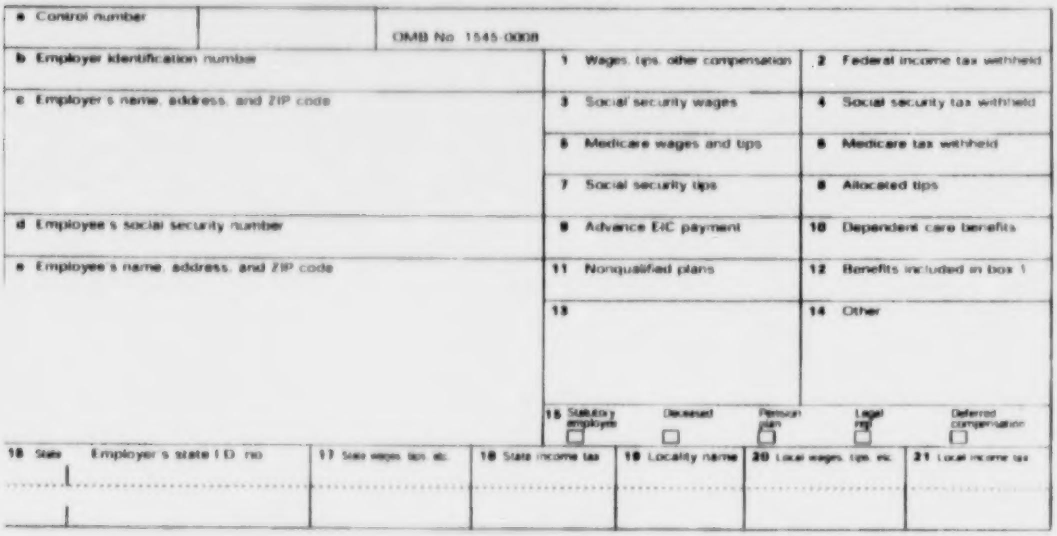
Discussion Points

- In January, a W-2 Form summarizing taxes withheld for the previous calendar year is sent to the employee.
- Withholding is the procedure for paying taxes on wages and salaries. Taxes are withheld by employers from employees' paychecks and deposited in an IRS account in a qualified bank
- The tax withheld should be close to the amount of actual tax liability calculated on one's tax return.
- Estimated tax payments are made directly from the taxpayer to the IRS four times a year.
- People earning substantial income other than wages and salaries will make estimated tax payments.
- Most interest income and business profits are NOT subject to tax withholding.

Sample Form W-2



a Control number	OMB No. 1545-0008	
b Employer identification number	1 Wages, tips, other compensation	2 Federal income tax withheld
c Employer's name, address, and ZIP code	3 Social security wages	4 Social security tax withheld
	5 Medicare wages and tips	6 Medicare tax withheld
	7 Social security tips	8 Allocated tips
d Employee's social security number	9 Advance EIC payment	10 Dependent care benefits
e Employee's name, address, and ZIP code	11 Nonqualified plans	12 Benefits included in box 1
	13	14 Other
	15 Statutory employee ☐ Deceased ☐ Pension plan ☐ Legal rep. ☐ Deferred compensation ☐	

16 State Employer's state I.D. no.	17 State wages, tips, etc.	18 State income tax	19 Locality name	20 Local wages, tips, etc.	21 Local income tax

The key features of this form for federal taxation are Boxes 1 through 10. Box 1 shows wages, tips, and other compensation paid by the employer for the year. Box 2 shows the amount of federal income tax withheld from the employee's wages for the year. Boxes 3 through 6 provide information concerning the payroll taxes for Social Security and Medicare. Box 3 shows earned income base for the Social Security payroll tax. This amount is called Social Security wages. Box 4 shows the total amount of tax withheld for Social Security. The Social Security wages in Box 3 may be smaller than the amount shown in Box 1.

Activity 4: Estimated Taxes

Harriette Wade works as a dental assistant for Dr. Johnson. She also teaches photography to people in the evenings. Through her photography instructions, she earns an additional $4,000 during the year. Is Harriette's income from her photography instructions included in the W-2 above? If not, why? What must Harriette do to cover the taxes on this income?

NOTES:

Answers to Quiz:

Allow students 10 minutes to answer the questions. Discuss the answers and summarize the lesson.

1. c Social Security is included in your federal withholding.

2. a You can change the amount of income tax withheld by filling out a new Form W-4.

3. d With these changes, you may qualify for a smaller amount of income tax withholding.

4. a The form is W-4. It influences personal income tax withheld.

5. a Form W-4 advises your employer about exemptions.

6. d Total allowances includes exemptions for dependents.

7. b The higher the number of allowances, the less money owed for taxes.

8. d Personal allowances include personal exemptions, dependents and credits.

Summary

Key Points to Remember

- Taxpaying should be part of personal financial management practices.
- A Form W-4 is filled out by an employee to determine the amount of tax withheld from wages for taxes.
- Form W-2 is provided to each employee in January to show the amount and sources of income and taxes withheld.

Quiz:

Circle the correct answer to each question.

1. Your W-2 Form shows:
   a. federal income tax withheld.
   b. Social Security tax withheld.
   c. Both "a" and "b."
   d. Neither "a" nor "b."

2. The amount of income tax withheld from a monthly paycheck for $500 in wages is influenced by:
   a. the worker's W-4 Form.
   b. the level of profit of the employer.
   c. the number of years the worker has been employed.
   d. All of the above.

3. A new W-4 Form should be filed when:
   a. a child is born or adopted.
   b. you get married.
   c. Neither "a" nor "b."
   d. Both "a" and "b."

4. When a worker begins employment he or she fills out a form that influences the amount withheld for:
   a. personal income tax withheld.
   b. Social Security and Medicare tax withheld.
   c. Both "a" and "b."
   d. Neither "a" nor "b."

5. The W-4 Form influences how much is taken out of your paycheck for:
   a. federal income tax
   b. Social Security tax.
   c. Both "a" and "b"
   d. Neither "a" nor "b"

6. "Total allowances," from the personal allowance worksheet, is determined by:
   a. your exemptions for dependents.
   b. your filing status.
   c. your child or dependent care expenses.
   d. All of the above.

7. If you claim more personal allowances on your W-4 Form:
   a. more money will be taken out of your paycheck for federal income tax.
   b. less money will be taken out of your paycheck for federal income tax.
   c. has no influence on your tax withheld.
   d. personal allowances are not a part of W-4 Form.

8. Which of the following is the basis for a personal allowance in Form W-4?
   a. You can claim a personal exemption for yourself.
   b. You can claim a child as a dependent.
   c. You can claim a credit for child or dependent care expenses of over $1,500.
   d. All of the above.

Instructor's Guide
Becoming Taxwise
Lesson 2:
Filing Status & Form 1040EZ

90 minutes

Introduction:

There are three basic tax forms. These forms differ in terms of the number and complexity of their provisions. Filing status will determine which form should be used.

Objectives:

After completion of this lesson, students should:

- demonstrate a knowledge of the appropriate circumstances for using Forms 1040EZ, 1040A, and 1040.
- determine the filing status best suited to their needs.
- be able to complete form 1040EZ.

Discussion Points

- Form 1040EZ is the most basic of the forms. Use the simplest form that allows you to report all of the income you receive.
- Choose the form that allows you to take full advantage of all the tax deductions and credits you are entitled to in order to minimize your tax liability.
- You may pay too much tax with Form 1040EZ if you could take advantage of provisions in the longer forms 1040A or 1040. For example, you may have paid a substantial amount of deductible interest on your home mortgage. However, you cannot take advantage of this deduction unless you file Form 1040.
- Form 1040EZ is the only form with a filing status limitation. Filing status used must be single or married filing jointly.

EQUIPMENT NEEDED:

Chalk board or flip chart
Chalk or 2 color markers
Overhead projector and transparencies

CLASS TO INCLUDE:

Introduction	10 minutes
Discussion & Activities	60 minutes
Quiz & Summary	20 minutes

Student's Guide
Becoming Taxwise
Lesson 2:
Filing Status & Form 1040EZ

Introduction:

Each taxpayer must determine filing status. The filing status will impact the deductions, exemptions, and dependents you can claim and will influence the forms you use to file your annual tax return.

During this session you will learn:

- there are three different income tax forms.
- the different types of filing status.
- the basics about allowances, dependents, exemptions, and deductions.
- how to complete Form 1040EZ.

Three Basic Tax Forms

There are three basic tax forms. These forms differ in terms of the number and complexity of their provisions.

Form 1040EZ	the easiest to complete
Form 1040A	the short form
Form 1040	the long form

Terminology

Allowances - This is the most important term with regard to Form W-4, Employee's Withholding Allowance Certificate. An allowance is a unit that results in less income tax withheld from your paycheck. Allowances on Form W-4 are based on the number of exemptions, filing status, certain child care expenses and whether or not you have a working spouse or have more than one job.

Dependents/Exemptions - Generally, taxpayers may claim exemptions on a tax return for the taxpayer, his or her spouse, children, and certain other persons who are dependent on you for financial support. Exemptions, other than for yourself and your spouse, are called dependent exemptions. For 1999, the exemption amount is $2,750.

continued on page 25

PUBLICATIONS:

17	*Your Federal Income Tax (for Individuals)*
504	*Divorced or Separated Individuals*
910	*Guide to Free Tax Services*

TELE-TAX TOPICS:

101	*IRS Services Available*
352	*Which Form—1040, 1040A, or 1040EZ?*
353	*What is Your Filing Status?*

Discussion & Activities

FILING STATUS

Discuss filing status and determine which is best. You have five choices in filing status:

- single
- married filing joint return
- married filing separate return
- head of household
- qualifying widow(er) with dependent child

Single

Some taxpayers who can use the single filing status may also qualify for head of household or the qualifying widow(er) filing status.

Married Filing Joint Return

The joint tax return offers married couples the potential advantage of reducing the amount of income taxed at the higher rate, along with the convenience of filing just one tax return. For these reasons, married couples usually choose the filing status of married filing joint return.

Discussion Points

- Taxpayers must first determine their filing status.
- Filing status will impact which form to use.
- Tax status is determined based on your situation on December 31, 1999.

Discussion & Activities

FILING STATUS

One of the first steps you take in filing a tax return is to determine your filing status. Filing status depends on marital status and other factors. Filing status will help determine whether or not you can use Form 1040EZ. Only single taxpayers or married taxpayers filing jointly can use 1040EZ. Filing status also has substantial impact on taxes owed. You have five choices in filing status.

Single

You may use the single filing status if on the last day of the year you were unmarried, separated from your spouse either by a divorce or a separate maintenance decree, or widowed before January 1, 2000 and not remarried in 1999.

Married Filing Joint Return

You may choose this status if you are married, even if you or your spouse have no income. You are considered married all year if on the last day of the tax year one of the following applies:

1. You are married and live together as husband and wife.
2. You live together in a common law marriage recognized in the state where you now live or in the state where the common law marriage began.
3. You are married and live apart, but are not legally separated under a decree of divorce or separate maintenance.
4. You are separated but the divorce decree is not final.
5. Your spouse died during the year and you did not remarry during the year.

Terminology *continued*

Standard deduction - An amount of income that may be deducted from adjusted gross income based on the filing status of the taxpayer. The standard deduction is one of the subtractions from adjusted gross income (AGI) to arrive at taxable income. Generally, the 1999 standard deductions for taxpayers (not elderly or blind) are:

$4,300	Single
$7,200	Married filing jointly & Qualifying widow(er)
$3,600	Married filing separately
$6,350	Head of household

Elderly taxpayers (age 65 and older) and blind taxpayers may be allowed a standard deduction higher than the basic standard deduction for their filing status. For 1999, a single or head-of-household taxpayer, the standard deduction is increased by $1,050 for being elderly or blind. For married taxpayers the upward adjustment is $850 for each characteristic. If both spouses are elderly and blind, the upward adjustment would be $3,400 (4 x $850).

Filing Status *continued*

Married Filing Separate Returns

This filing status is seldom chosen because a married couple can almost always reduce their taxes by filing a joint return. If your spouse is not available to complete a joint return, you may complete a tax return using the status of married filing separate returns.

Head of Household

You must provide more than half the cost of maintaining a home for the tax year for the qualifying person. The person provided for is usually claimed as a dependent, but this is not always the case. For a divorced couple, a child may live with the mother who receives child support from the father. Frequently, the father claims the child as a dependent on his tax return. Even though the mother does not claim the child as a dependent, the mother could still use head of household filing status as long as the child lives with the mother for more than six months.

Qualifying Widow(er) with Dependent Child

You may be eligible to use qualifying widow or widower with qualifying child as your filing status for two years following the death of your spouse. This filing status entitles you to use joint tax return rates and the highest standard deduction amount.

Discussion Points

Filing Status, the Standard Deduction, and Tax Rates

- Some single taxpayers may qualify as head of household or qualifying widow(er) in addition to the single filing status. Since tax rates may be lower and the standard deduction is higher for these filing status—not on any particular expenditures made by the taxpayer. Obviously, you would prefer to have a larger standard deduction.

- The filing statuses with the highest standard deductions are married filing joint return and qualifying widow(er).

Filing Status *continued*

Married Filing Separate Returns

You may be able to choose this filing status if you are married. This filing status may be preferred when a married taxpayer wants to be responsible only for his or her tax return. If you and your spouse choose not to file a joint tax return, then your filing status may be married filing separate.

Head of Household

Head of household is for single individuals who provide a home for certain qualifying person(s). Generally, the qualifying persons are children. However, the other persons could be dependent adults, such as a parent.

Qualifying Widow(er) with Dependent Child

This is another filing status available to some single taxpayers. To be eligible to file as a qualifying widow(er), also called qualifying widow(er) with dependent child, you must meet **ALL** the following conditions:

1. Your spouse died during 1998 or 1999.
2. You did not remarry before the end of the tax year.
3. You have a child, stepchild, adopted child, or foster child who qualifies as your dependent for the year.
4. You paid more than half the cost of keeping up a home that is the main home for you and the child for the tax year.

NOTES:

Discussion & Activities

NOTES:

Activity 1: Determining Filing Status

Discuss the best filing status in each situation below.

Case 1
Sam and Charlene Mesa were married on December 30, 1999. Can they file a joint tax return for 1999?

> *Answer: They may file a "Married Filing Joint" tax return.*

Case 2
Marty Schroeder is single and paid more than half the cost of keeping up her home. Marty's grandmother lives with her and she claims her grandmother as a dependent on her tax return. What filing status would be most advantageous for Marty?

> *Answer: Marty may choose "Head of Household" filing status.*

Case 3
Mike Nolan is divorced. His child support payments provide for over half the cost of his six-year-old child who lives with him during the summer. What is the most advantageous filing status for Mike?

> *Answer: Mike must choose "Single" because his son lived with him less than half a year.*

Discussion & Activities

Activity 1: Determining Filing Status

Discuss the following situations. Which filing status is best in each case?

Case 1
Sam and Charlene Mesa were married on December 30, 1999. Can they file a joint tax return for 1999?

Case 2
Marty Schroeder is single and paid more than half the cost of keeping up her home. Marty's grandmother lives with her and she claims her grandmother as a dependent on her tax return. What filing status would be most advantageous for Marty?

Case 3
Mike Nolan is divorced. His child support payments provide for over half the cost of his six-year-old child who lives with him during the summer. What is the most advantageous filing status for Mike?

NOTES:

Selecting the proper form:

Figure 1
Filing Status and Tax Forms

1040EZ	1040A	1040	
x	x	x	Single
x	x	x	Married filing joint return
	x	x	Married filing separate return
	x	x	Head of household
	x	x	Qualifying widow(er)

Figure 2
Types of Income and Tax Forms

1040EZ	1040A	1040	
x	x	x	Wages, salaries, tips
x	x	x	Scholarship and fellowship grants
x	x	x	Unemployment compensation
x	x	x	Interest *
	x	x	Dividends
		x	Alimony
		x	Business income
		x	Capital gains
	x	x	IRA, pension, and annuity distributions
		x	Rents, royalties, partnerships, etc
	x	x	Taxable Social Security benefits

* Interest limited to $400 or less on Form 1040EZ.

NOTE: Make overhead transparencies of these figures to refer to during the session. Copies can be found in Appendix C.

Discussion Points

Figure 1

As shown in Figure 1, only Form 1040EZ has a filing status limitation. Unless you have a single or married filing joint status, you cannot use Form 1040EZ. Filing status must also influence the tax rates applied to taxable income. 1040EZ is the only form with a filing status limitation.

Figure 2

Taxpayers can have income from a variety of sources. Figure 2 shows the types of income that can be reported on each of the three forms. All sources of income can be reported on Form 1040. Forms 1040A and 1040EZ are more limited.

Selecting the proper form:

The following figures help you determine which tax forms to use.

Figure 1
Filing Status and Tax Forms

1040EZ	1040A	1040	
x	x	x	Single
x	x	x	Married filing joint return
	x	x	Married filing separate return
	x	x	Head of household
	x	x	Qualifying widow(er)

Figure 2
Types of Income and Tax Forms

1040EZ	1040A	1040	
x	x	x	Wages, salaries, tips
x	x	x	Scholarship and fellowship grants
x	x	x	Unemployment compensation
x	x	x	Interest *
	x	x	Dividends
		x	Alimony
		x	Business income
		x	Capital gains
	x	x	IRA, pension, and annuity distributions
		x	Rents, royalties, partnerships, etc
	x	x	Taxable Social Security benefits

* Interest limited to $400 or less on Form 1040EZ.

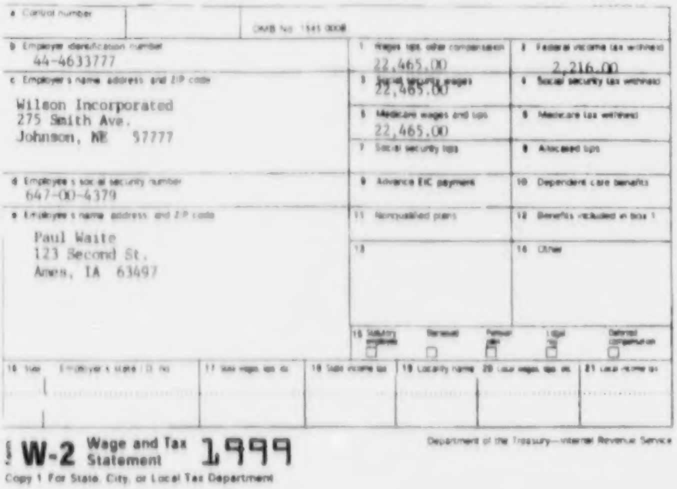
NOTES:

Activity 2: Form 1040EZ

1. Distribute one set of 1040EZ forms to each student.
2. Review each section of the Form 1040EZ, and the Form W-2 in this lesson.
3. Write the name of Paul Waite on the board as he is the fictitious person for whom the form will be completed.
4. Review each topic, as the students use Mr. Waite's information to complete the Form 1040EZ.

NOTE: Paul Waite cannot take the earned income credit on Line 8a because he earned more than $10,200.

Sample Form W-2 for Paul Waite



a Control number

OMB No. 1545-0008

b Employer identification number 44-4633777

c Employer's name, address, and ZIP code

Wilson Incorporated
275 Smith Ave.
Johnson, NE 57777

d Employee's social security number 647-00-4379

e Employee's name, address, and ZIP code

Paul Waite
123 Second St.
Ames, IA 63497

1 Wages, tips, other compensation 22,465.00

2 Federal income tax withheld 2,216.00

3 Social security wages 22,465.00

4 Social security tax withheld

5 Medicare wages and tips 22,465.00

6 Medicare tax withheld

7 Social security tips

8 Allocated tips

9 Advance EIC payment

10 Dependent care benefits

11 Nonqualified plans

12 Benefits included in box 1

13

14 Other

15 Statutory employee ☐ Deceased ☐ Pension plan ☐ Legal rep. ☐ Deferred compensation ☐

16 State | Employer's state I.D. no. | 17 State wages, tips, etc. | 18 State income tax | 19 Locality name | 20 Local wages, tips, etc. | 21 Local income tax

W-2 Wage and Tax Statement **1999**

Copy 1 For State, City, or Local Tax Department

Department of the Treasury—Internal Revenue Service

Discussion Points

Form 1040EZ Introduction

As implied by its name, Form 1040EZ, is the easiest form to use for filing a tax return. This form can be used only by taxpayers with the simplest tax circumstances.

You can use Form 1040EZ *only* if **ALL** of the following apply:

1. Filing status is single or married filing jointly.
2. You claim no dependents.
3. You are under 65 and not blind.
4. All income is wages, salaries, tips, taxable scholarship and fellowships, interest, and unemployment compensation.
5. Taxable interest income is $400 or less.
6. Taxable income is less than $50,000.
7. You do not claim any adjustments to income, do not itemize deductions, did not receive advance earned income credit payments, owe no taxes other than the amount from the tax table, and want to claim on credits except the earned income credit.

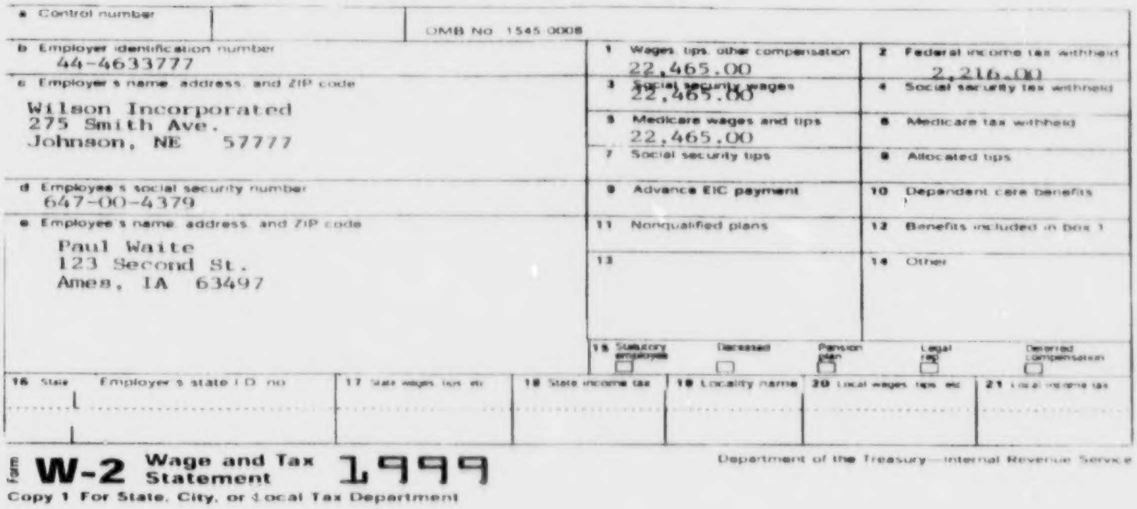
Activity 2: Form 1040EZ

Paul Waite is a fictitious taxpayer. You will complete Form 1040EZ for him, using the following information:

- Social Security Number: 647-00-4379
- Address: 123 Second St., Ames, IA 63497
- Age: 21
- Filing Status: Single
- No dependents
- Cannot be claimed as a dependent on another person's return
- Not blind
- Presidential Election Campaign Fund: Yes
- Wages: $22,465
- Only other income: $175 interest from savings account

NOTES:

Sample Form W-2 for Paul Waite



a Control number		OMB No 1545 0008

b Employer identification number 44-4633777	1 Wages, tips, other compensation 22,465.00	2 Federal income tax withheld 2,216.00
c Employer's name, address, and ZIP code Wilson Incorporated 275 Smith Ave. Johnson, NE 57777	3 Social security wages 22,465.00	4 Social security tax withheld
	5 Medicare wages and tips 22,465.00	6 Medicare tax withheld
	7 Social security tips	8 Allocated tips
d Employee's social security number 647-00-4379	9 Advance EIC payment	10 Dependent care benefits
e Employee's name, address, and ZIP code Paul Waite 123 Second St. Ames, IA 63497	11 Nonqualified plans	12 Benefits included in box 1
	13	14 Other

15 Statutory employee ☐ Deceased ☐ Pension plan ☐ Legal rep ☐ Deferred compensation ☐

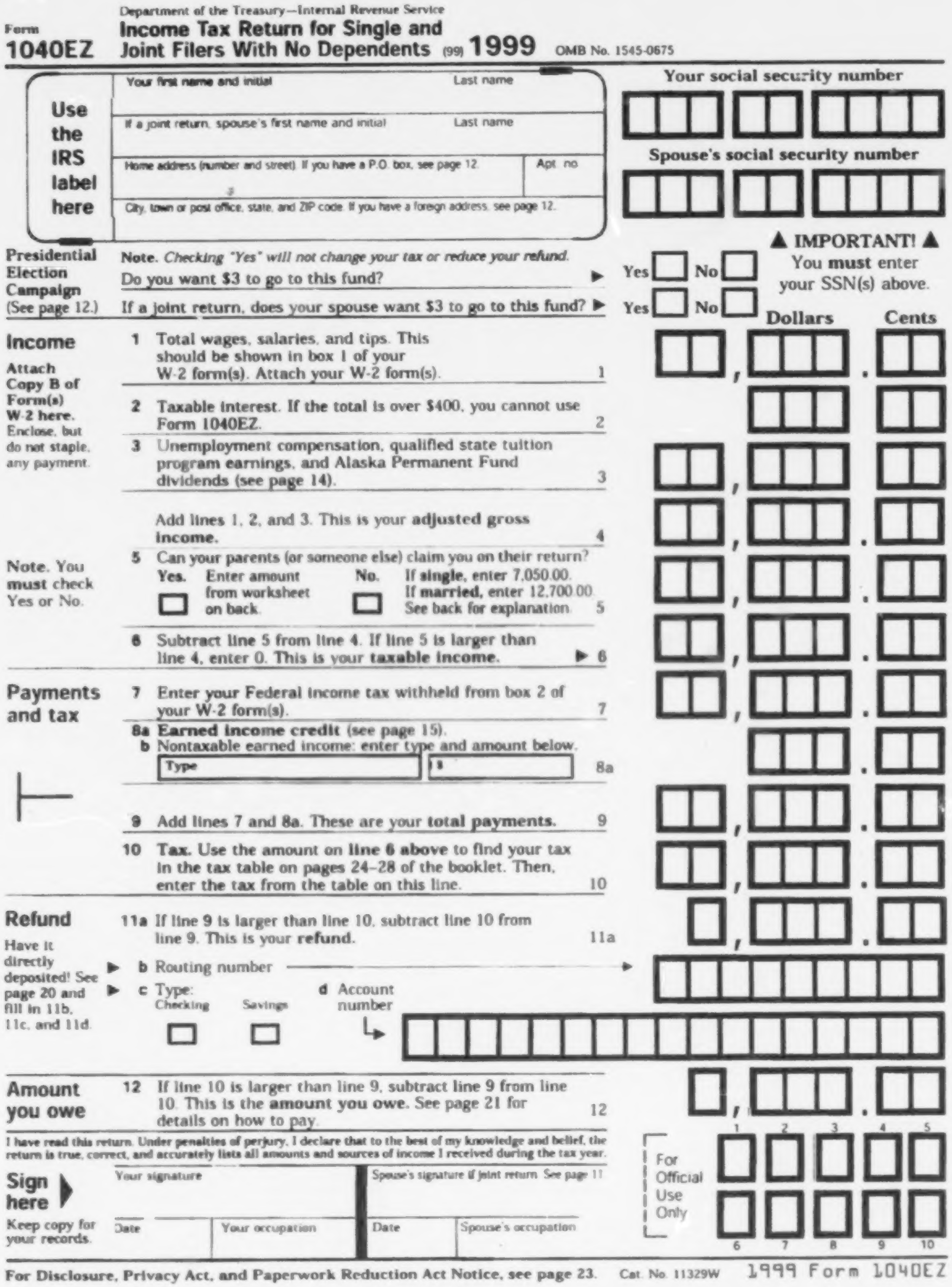
16 State	Employer's state I.D. no	17 State wages, tips, etc	18 State income tax	19 Locality name	20 Local wages, tips, etc	21 Local income tax

Form **W-2** Wage and Tax Statement **1999**

Copy 1 For State, City, or Local Tax Department

Department of the Treasury—Internal Revenue Service

Sample Form 1040EZ, Page 1



Department of the Treasury—Internal Revenue Service

Form **1040EZ** **Income Tax Return for Single and Joint Filers With No Dependents** (99) **1999** OMB No. 1545-0675

Use the IRS label here

Your first name and initial | Last name

If a joint return, spouse's first name and initial | Last name

Home address (number and street). If you have a P.O. box, see page 12. | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 12.

Your social security number

Spouse's social security number

▲ IMPORTANT! ▲ You **must** enter your SSN(s) above.

Presidential Election Campaign (See page 12.)

Note. *Checking "Yes" will not change your tax or reduce your refund.*

Do you want $3 to go to this fund? ▶ Yes ☐ No ☐

If a joint return, does your spouse want $3 to go to this fund? ▶ Yes ☐ No ☐

Dollars **Cents**

Income

Attach Copy B of Form(s) W-2 here. Enclose, but do not staple, any payment.

1 Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s). 1

2 Taxable interest. If the total is over $400, you cannot use Form 1040EZ. 2

3 Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends (see page 14). 3

4 Add lines 1, 2, and 3. This is your **adjusted gross income.** 4

Note. You **must** check Yes or No.

5 Can your parents (or someone else) claim you on their return?
Yes. ☐ Enter amount from worksheet on back.
No. ☐ If **single**, enter 7,050.00. If **married**, enter 12,700.00. See back for explanation. 5

6 Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your **taxable income.** ▶ 6

Payments and tax

7 Enter your Federal income tax withheld from box 2 of your W-2 form(s). 7

8a **Earned income credit** (see page 15).
b Nontaxable earned income: enter type and amount below.
Type | $ 8a

9 Add lines 7 and 8a. These are your **total payments.** 9

10 **Tax.** Use the amount on **line 6 above** to find your tax in the tax table on pages 24–28 of the booklet. Then, enter the tax from the table on this line. 10

Refund

Have it directly deposited! See page 20 and fill in 11b, 11c, and 11d.

11a If line 9 is larger than line 10, subtract line 10 from line 9. This is your **refund.** 11a

▶ b Routing number

▶ c Type: Checking ☐ Savings ☐ d Account number

Amount you owe

12 If line 10 is larger than line 9, subtract line 9 from line 10. This is the **amount you owe.** See page 21 for details on how to pay. 12

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and accurately lists all amounts and sources of income I received during the tax year.

Sign here ▶ Keep copy for your records.

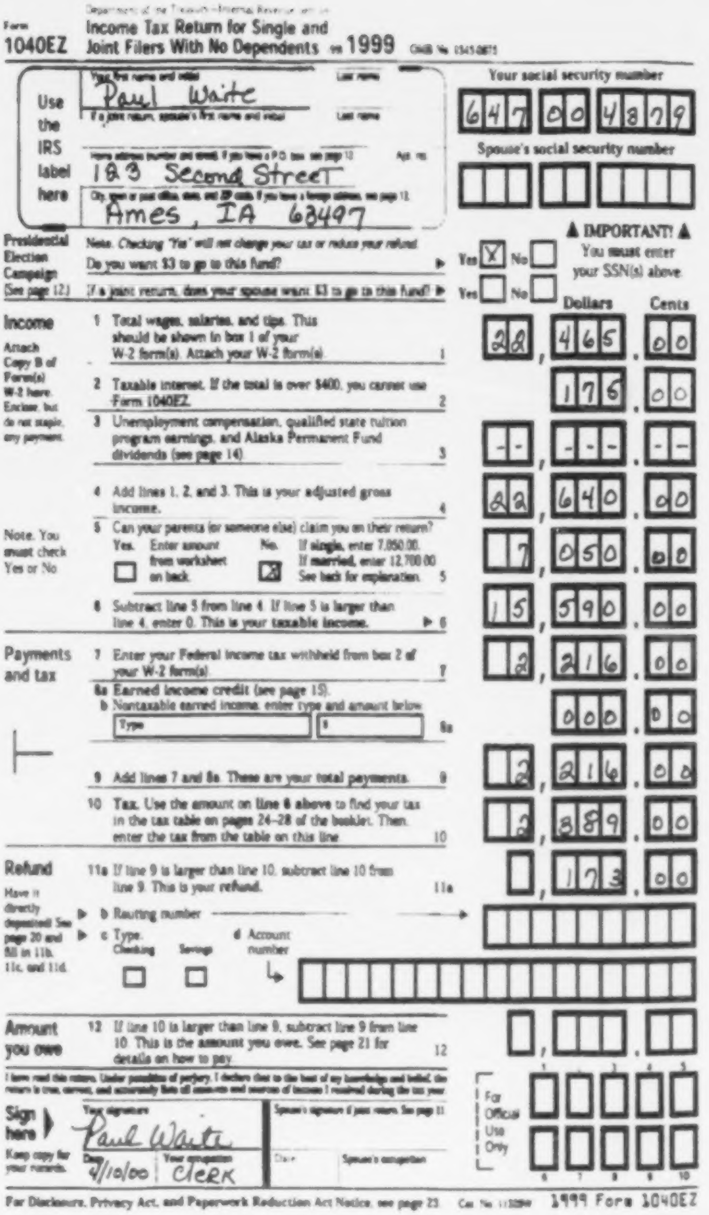
Your signature | Spouse's signature if joint return. See page 11.

Date | Your occupation | Date | Spouse's occupation

For Official Use Only 1 2 3 4 5 6 7 8 9 10

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 23. Cat. No. 11329W 1999 Form 1040EZ

Form 1040EZ, Page 1



Department of the Treasury—Internal Revenue Service

Form **1040EZ** **Income Tax Return for Single and Joint Filers With No Dependents** (99) **1999** OMB No. 1545-0675

Use the IRS label here

Your first name and initial / Last name: Paul Waite

If a joint return, spouse's first name and initial / Last name

Home address (number and street). If you have a P.O. box, see page 12. / Apt. no.: 123 Second Street

City, town or post office, state, and ZIP code. If you have a foreign address, see page 12.: Ames, IA 63497

Your social security number: 647 00 4879

Spouse's social security number: ☐☐☐ ☐☐ ☐☐☐☐

▲ IMPORTANT! ▲ You must enter your SSN(s) above

Presidential Election Campaign (See page 12.)
Note. *Checking "Yes" will not change your tax or reduce your refund.*
Do you want $3 to go to this fund? ▶ Yes ☒ No ☐
If a joint return, does your spouse want $3 to go to this fund? ▶ Yes ☐ No ☐

		Dollars	Cents
Income Attach Copy B of Form(s) W-2 here. Enclose, but do not staple, any payment.	1 Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s). 1	22,465	00
	2 Taxable interest. If the total is over $400, you cannot use Form 1040EZ. 2	176	00
	3 Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends (see page 14). 3	--,---	--
	4 Add lines 1, 2, and 3. This is your **adjusted gross income.** 4	22,640	00
Note. You must check Yes or No	5 Can your parents (or someone else) claim you on their return? Yes. ☐ Enter amount from worksheet on back. No. ☒ If **single**, enter 7,050.00. If **married**, enter 12,700.00. See back for explanation. 5	7,050	00
	6 Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your **taxable income.** ▶ 6	15,590	00
Payments and tax	7 Enter your Federal income tax withheld from box 2 of your W-2 form(s). 7	2,216	00
	8a **Earned income credit (see page 15).** b Nontaxable earned income: enter type and amount below. Type ___ $ ___ 8a	000	00
	9 Add lines 7 and 8a. These are your **total payments.** 9	2,216	00
	10 **Tax.** Use the amount on **line 6 above** to find your tax in the tax table on pages 24–28 of the booklet. Then, enter the tax from the table on this line. 10	2,389	00
Refund Have it directly deposited! See page 20 and fill in 11b, 11c, and 11d.	11a If line 9 is larger than line 10, subtract line 10 from line 9. This is your **refund.** 11a	173	00
	▶ b Routing number	☐☐☐☐☐☐☐☐☐	
	▶ c Type: Checking ☐ Savings ☐ d Account number	☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐	
Amount you owe	12 If line 10 is larger than line 9, subtract line 9 from line 10. This is the **amount you owe.** See page 21 for details on how to pay. 12		

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and accurately lists all amounts and sources of income I received during the tax year.

Sign here ▶ Keep copy for your records.
Your signature: Paul Waite
Date: 4/10/00 Your occupation: Clerk
Spouse's signature if joint return. See page 11.
Date Spouse's occupation

For Official Use Only ☐☐☐☐☐ 1 2 3 4 5 ☐☐☐☐☐ 6 7 8 9 10

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 23. Cat. No. 11329W 1999 Form 1040EZ

Presidential Election Campaign. Congress has set up a special fun to help pay for campaign costs for presidential elections. If a taxpayer wants $3 to go to this fund, check the "Yes" box. Checking "Yes" or "No" does not affect the taxpayer's tax owed or refund.

Line 1 - Information. This information comes from W-2 Forms. When filing a tax return, a copy of each W-2 Form (one per employer) must be attached to the tax return. Any taxable scholarship or fellowship income would be included on Line 1 along with wages.

Line 2 - Taxable Interest Income. This information comes from Form 1099 sent by financial institutions.

Line 3 - Unemployment Compensation. Mr. Waite has not received unemployment compensation during the year.

Line 5 - If someone else can claim you as a dependent on his or her tax return, you should check "Yes" on Line 5 and complete the worksheet on the back of 1040EZ. If your income from Line 1 is less than $4,300, your standard deduction will be the amount on Line 1, or $700, whichever is greater.

Line 10 - Refer to the Tax Chart in Appendix B.

Form 1040EZ, Page 2

Form 1040EZ (1999) Paul Waite

Use this form if

- Your filing status is single or married filing jointly.
- You (and your spouse if married) were under 65 on January 1, 2000, and not blind at the end of 1999.
- You do not claim any dependents.
- Your taxable income (line 6) is less than $50,000.
- You do not claim a student loan interest deduction (see page 8) or an education credit.
- You had **only** wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, qualified state tuition program earnings, or Alaska Permanent Fund dividends, and your taxable interest was not over $400. **But if** you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 13. If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see page 14.
- You did not receive any advance earned income credit payments.

If you are not sure about your filing status, see page 11. If you have questions about dependents, use TeleTax topic 354 (see page 6). **If you cannot use this form,** use TeleTax topic 352 (see page 6).

Filling in your return

For tips on how to avoid common mistakes, see page 29.

Enter your (and your spouse's if married) social security number on the front. Because this form is read by a machine, please print your numbers inside the boxes like this:

9	8	7	6	5	4	3	2	1	0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing Federal income tax withheld or if Federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

Remember, you must report **all** wages, salaries, and tips even if you do not get a W-2 form from your employer. You must also report **all** your taxable interest, including interest from banks, savings and loans, credit unions, etc., even if you do not get a Form 1099-INT.

Worksheet for dependents who checked "Yes" on line 5

(keep a copy for your records)

Use this worksheet to figure the amount to enter on line 5 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, use TeleTax topic 354 (see page 6).

A. Amount, if any, from line 1 on front ______ + 250.00 Enter total ▶ A. 0

B. Minimum standard deduction . . . . B. ______

C. Enter the LARGER of line A or line B here . . . . C. ______

D. Maximum standard deduction. If **single**, enter 4,300.00; if **married**, enter 7,200.00 . . . . D. ______

E. Enter the SMALLER of line C or line D here. This is your standard deduction . . . . E. ______

F. Exemption amount.
- If single, enter 0.
- If married and—
  - —both you and your spouse can be claimed as dependents, enter 0.
  - —only one of you can be claimed as a dependent, enter 2,750.00.

F. ______

G. Add lines E and F. Enter the total here and on line 5 on the front . . G. ______

If you checked "No" on line 5 because no one can claim you (or your spouse if married) as a dependent, enter on line 5 the amount shown below that applies to you.

- Single, enter 7,050.00. This is the total of your standard deduction (4,300.00) and your exemption (2,750.00).
- Married, enter 12,700.00. This is the total of your standard deduction (7,200.00), your exemption (2,750.00), and your spouse's exemption (2,750.00).

Mailing return

Mail your return by **April 17, 2000.** Use the envelope that came with your booklet. If you do not have that envelope, see page 32 for the address to use.

Paid preparer's use only

See page 21.

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income received during the tax year. This declaration is based on all information of which I have any knowledge.

Preparer's signature ▶ Paul Waite

Date 4/10/00

Check if self-employed ☐

Preparer's SSN or PTIN 647-00-4379

Firm's name (or yours if self-employed) and address ▶ ______

EIN ______

Form **1040EZ** (1999)

Form 1040EZ, Page 2

Form 1040EZ (1999) Page **2**

Use this form if

- Your filing status is single or married filing jointly.
- You (and your spouse if married) were under 65 on January 1, 2000, and not blind at the end of 1999.
- You do not claim any dependents.
- Your taxable income (line 6) is less than $50,000.
- You do not claim a student loan interest deduction (see page 8) or an education credit.
- You had **only** wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, qualified state tuition program earnings, or Alaska Permanent Fund dividends, and your taxable interest was not over $400. **But** if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 13. If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see page 14.
- You did not receive any advance earned income credit payments.

If you are not sure about your filing status, see page 11. If you have questions about dependents, use TeleTax topic 354 (see page 6). If you **cannot use this form**, use TeleTax topic 352 (see page 6).

Filling in your return

For tips on how to avoid common mistakes, see page 29.

Enter your (and your spouse's if married) social security number on the front. Because this form is read by a machine, please print your numbers inside the boxes like this:

9	8	7	6	5	4	3	2	1	0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing Federal income tax withheld or if Federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

Remember, you must report all wages, salaries, and tips even if you do not get a W-2 form from your employer. You must also report all your taxable interest, including interest from banks, savings and loans, credit unions, etc., even if you do not get a Form 1099-INT.

Worksheet for dependents who checked "Yes" on line 5

(keep a copy for your records)

Use this worksheet to figure the amount to enter on line 5 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, use TeleTax topic 354 (see page 6).

A. Amount, if any, from line 1 on front ________
+ 250.00 Enter total ▶ A. ________

B. Minimum standard deduction . . . . B. 700.00

C. Enter the LARGER of line A or line B here . . . . C.

D. Maximum standard deduction. If **single,** enter 4,300.00; if **married,** enter 7,200.00 . . . . D.

E. Enter the SMALLER of line C or line D here. This is your standard deduction . . . . E.

F. Exemption amount.
- If single, enter 0.
- If married and—
  - —both you and your spouse can be claimed as dependents, enter 0.
  - —only one of you can be claimed as a dependent, enter 2,750.00.

F.

G. Add lines E and F. Enter the total here and on line 5 on the front . . G. ________

If you checked "No" on line 5 because no one can claim you (or your spouse if married) as a dependent, enter on line 5 the amount shown below that applies to you.

- **Single**, enter 7,050.00. This is the total of your standard deduction (4,300.00) and your exemption (2,750.00).
- **Married**, enter 12,700.00. This is the total of your standard deduction (7,200.00), your exemption (2,750.00), and your spouse's exemption (2,750.00).

Mailing return

Mail your return by **April 17, 2000.** Use the envelope that came with your booklet. If you do not have that envelope, see page 32 for the address to use.

Paid preparer's use only

See page 21.

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income received during the tax year. This declaration is based on all information of which I have any knowledge.

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶		EIN	

Form **1040EZ** (1999)

Review of Form 1040EZ

NOTES:

Line 1—Total Wages, Salaries, and Tips

The total of all wages, salary and tip income is reported on Line 1.

Line 2—Taxable Interest

The total taxable interest received during the year is reported on Line 2. Mr. Waite received $175 in interest from his savings account. If taxable interest received is more than $400, Form 1040EZ cannot be used.

Line 6—Taxable Income

Taxable income is adjusted gross income from Line 4 minus allowable subtractions for the personal exemption and standard deduction. Mr. Waite's taxable income is $5,960. This is the amount of income that is the base for calculating his tax.

Line 7—Federal Income Tax Withheld

The amount of federal income tax withheld is shown on IRS Form W-2. Mr. Waite's employer withheld income tax of $2,216, as shown in Box 2. Do not include the amounts of Box 4, Social Security Tax withheld or Box 6, Medicare Tax withheld, in federal income tax withheld on Line 7. This line of Form 1040EZ is for income tax withheld as shown in Box 2 of Form W-2.

Lines 11 and 12—Refund or Amount You Owe

Mr. Waite is due a refund as shown on Line 11 because the tax withheld by his employer is greater than the tax from the Form 1040EZ Tax Table. The amount of the refund is $320. If the tax liability is greater than the amount of tax withheld, Line 12 would show the amount owed to the U.S. Treasury. Checks or money orders should be made payable to the U.S. Treasury.

Sign Your Return

Mr. Waite signs his return and dates it. The return should be mailed to the address shown in the instructions by April 15. Mr. Waite should keep a copy of his return for his records.

Change of Address

If you move, be sure to notify the IRS using *Form 8822, Change of Address*. Mail it to the Service Center where you filed your last return. Addresses for the Service Centers are on the back of Form 8822. If you move after you file your return and you are expecting a refund, also notify the post office serving your old address. This will help to forward your check to your new address.

Electronic Filing

There are alternative ways to filing the traditional paper tax return, such as filing by phone and filing by computer. These alternatives allow you to file from the convenience of your home at any time. And, in most states, you can file your federal and state taxes at the same time.

By filing electronically, your tax return will be processed quickly because your return information goes from you directly to the IRS computers—there's no added time for mail delivery and input into IRS computers with thousands of other returns. Your tax return will be accurate because IRS computers check for mistakes you might make preparing your return, and eliminates mistakes the IRS might make processing your paper return.

NOTES:

Activity 3: Form 1040EZ

Provide copies of Form 1040EZ to students. Allow 20-30 minutes to complete the forms for the two taxpayers below. Review the completed forms with the class.

Case 1
Holly Mills (SSN 212-00-4444) is a college student. She worked as a clerk in a clothing store during the summer. Shortly after Holly left her job and returned to school, she received a Form W-2 from her employer. The W-2 form indicted that she had earned wages of $4,500 and that $360 of federal income tax was withheld from her paychecks. Holy had $40 in interest credited to her savings account in 1999. Her filing status is single. Her parents claim her as a dependent on their income tax return. She chooses to have $3 go to the Presidential Election Campaign Fund. Using Form 1040EZ, determine Holly's refund or tax owed.

Answer: Holly Mills receives a refund of $324.

Case 2
John Meyer (SSN 512-00-0187) began the tax year working as a salesperson at ABC Clothing. He left his job at ABC Clothing and worked the last 6 weeks of the year at Miller's Fashion Clothing. In January, he received W-2 forms from each of his employers. The ABC form indicated $16,422 of wages and $1,876 federal income tax withheld during the year. The Miller's form shows wages of $4,233 and federal income tax withheld of $512. His filing status is single. No one can claim him as a dependent on their income tax return. He chooses to have $3 go to the Presidential Election Campaign Fund. Using Form 1040EZ, determine John's refund or tax owed.

Answer: John Meyer receives a refund of $344.

NOTES:

Activity 3: Form 1040EZ

NOTES:

Complete Form 1040EZ for the following taxpayers.

Case 1

Holly Mills (SSN 212-00-4444) is a college student. She worked as a clerk in a clothing store during the summer. Shortly after Holly left her job and returned to school, she received a Form W-2 from her employer. The W-2 Form indicted that she had earned wages of $4,500 and that $360 of federal income tax was withheld from her paychecks. Holy had $40 in interest credited to her savings account in 1999. Her filing status is single. Her parents claim her as a dependent on their income tax return. She chooses to have $3 go to the Presidential Election Campaign Fund. Using Form 1040EZ, determine Holly's refund or tax owed.

Case 2

John Meyer (SSN 512-00-0187) began the tax year working as a salesperson at ABC Clothing. He left his job at ABC Clothing and worked the last 6 weeks of the year at Miller's Fashion Clothing. In January, he received W-2 Forms from each of his employers. The ABC form indicated $16,422 of wages and $1,876 federal income tax withheld during the year. The Miller's form shows wages of $4,233 and feral income tax withheld of $512. His filing status is single. No one can claim him as a dependent on their income tax return. He chooses to have $3 go to the Presidential Election Campaign Fund. Using Form 1040EZ, determine John's refund or tax owed.

Sample Form 1040EZ, Page 1

Form **1040EZ**

Department of the Treasury—Internal Revenue Service

Income Tax Return for Single and Joint Filers With No Dependents (99) **1999** OMB No. 1545-0675

Use the IRS label here

Your first name and initial: Holly Last name: Mills

If a joint return, spouse's first name and initial: Last name:

Home address (number and street). If you have a P.O. box, see page 12: 7- 48th Street NW Apt. no.:

City, town or post office, state, and ZIP code. If you have a foreign address, see page 12: Cando, TX 87700

Your social security number 812 00 4444

Spouse's social security number

▲ IMPORTANT! ▲ You must enter your SSN(s) above.

Presidential Election Campaign (See page 12.)

Note. *Checking "Yes" will not change your tax or reduce your refund.*

Do you want $3 to go to this fund? ▶ Yes ☒ No ☐

If a joint return, does your spouse want $3 to go to this fund? ▶ Yes ☐ No ☐

			Dollars	Cents
Income Attach Copy B of Form(s) W-2 here. Enclose, but do not staple, any payment.	1	Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s). 1	4,600	00
	2	Taxable interest. If the total is over $400, you cannot use Form 1040EZ. 2	40	00
	3	Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends (see page 14). 3	4,540	00
	4	Add lines 1, 2, and 3. This is your **adjusted gross income.** 4	4,540	00
Note. You must check Yes or No.	5	Can your parents (or someone else) claim you on their return? Yes. ☒ Enter amount from worksheet on back. No. ☐ If **single**, enter 7,050.00. If **married**, enter 12,700.00. See back for explanation. 5	4,300	00
	6	Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your **taxable income.** ▶ 6	240	00
Payments and tax	7	Enter your Federal income tax withheld from box 2 of your W-2 form(s). 7	360	00
	8a	Earned income credit (see page 15). b Nontaxable earned income: enter type and amount below. Type ___ $ ___ 8a		
	9	Add lines 7 and 8a. These are your **total payments.** 9	360	00
	10	**Tax.** Use the amount on **line 6 above** to find your tax in the tax table on pages 24–28 of the booklet. Then, enter the tax from the table on this line. 10	36	
Refund Have it directly deposited! See page 20 and fill in 11b, 11c, and 11d.	11a	If line 9 is larger than line 10, subtract line 10 from line 9. This is your refund. 11a	324	00
Amount you owe	12	If line 10 is larger than line 9, subtract line 9 from line 10. This is the **amount you owe.** See page 21 for details on how to pay. 12		

▶ b Routing number → 99999999R

▶ c Type: Checking ☒ Savings ☐

d Account number ↳ 111111221111

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and accurately lists all amounts and sources of income I received during the tax year.

Sign here ▶ Keep copy for your records.

Your signature: Holly L Mills

Date: 4/6/00 Your occupation: Student

Spouse's signature if joint return. See page 11.

Date: Spouse's occupation:

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For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 23. Cat. No. 11329W 1999 Form 1040EZ

Sample Form 1040EZ, Page 1

Form **1040EZ**

Department of the Treasury—Internal Revenue Service

Income Tax Return for Single and Joint Filers With No Dependents (99) **1999** OMB No. 1545-0675

Use the IRS label here

Your first name and initial | Last name

If a joint return, spouse's first name and initial | Last name

Home address (number and street). If you have a P.O. box, see page 12. | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 12.

Your social security number

Spouse's social security number

▲ **IMPORTANT!** ▲ You **must** enter your SSN(s) above.

Presidential Election Campaign (See page 12.)

Note. *Checking "Yes" will not change your tax or reduce your refund.*

Do you want $3 to go to this fund? ▶ Yes ☐ No ☐

If a joint return, does your spouse want $3 to go to this fund? ▶ Yes ☐ No ☐

Dollars **Cents**

Income

Attach Copy B of Form(s) W-2 here. Enclose, but do not staple, any payment.

1 Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s). 1

2 **Taxable interest. If the total is over $400, you cannot use Form 1040EZ.** 2

3 **Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends (see page 14).** 3

4 Add lines 1, 2, and 3. This is your **adjusted gross income.** 4

Note. You **must** check Yes or No.

5 Can your parents (or someone else) claim you on their return?

Yes. ☐ Enter amount from worksheet on back.

No. ☐ If **single**, enter 7,050.00. If **married**, enter 12,700.00. See back for explanation. 5

6 Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your **taxable income.** ▶ 6

Payments and tax

7 Enter your Federal income tax withheld from box 2 of your W-2 form(s). 7

8a **Earned income credit** (see page 15).

b Nontaxable earned income: enter type and amount below.

Type | $ 8a

9 Add lines 7 and 8a. These are your **total payments.** 9

10 **Tax.** Use the amount on **line 6 above** to find your tax in the tax table on pages 24–28 of the booklet. Then, enter the tax from the table on this line. 10

Refund

Have it directly deposited! See page 20 and fill in 11b, 11c, and 11d.

11a If line 9 is larger than line 10, subtract line 10 from line 9. This is your **refund.** 11a

▶ b Routing number

▶ c Type: Checking ☐ Savings ☐

d Account number

Amount you owe

12 If line 10 is larger than line 9, subtract line 9 from line 10. This is the **amount you owe.** See page 21 for details on how to pay. 12

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and accurately lists all amounts and sources of income I received during the tax year.

Sign here ▶

Keep copy for your records.

Your signature | Spouse's signature if joint return. See page 11.

Date | Your occupation | Date | Spouse's occupation

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1 2 3 4 5

6 7 8 9 10

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 23. Cat. No. 11329W 1999 Form 1040EZ

Sample Form 1040EZ, Page 2

Form 1040EZ (1999) Holly Mills **Page 2**

Use this form if

- Your filing status is single or married filing jointly.
- You (and your spouse if married) were under 65 on January 1, 2000, and not blind at the end of 1999.
- You do not claim any dependents.
- Your taxable income (line 6) is less than $50,000.
- You do not claim a student loan interest deduction (see page 8) or an education credit.
- You had only wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, qualified state tuition program earnings, or Alaska Permanent Fund dividends, and your taxable interest was not over $400. But if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 13. If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see page 14.
- You did not receive any advance earned income credit payments.

If you are not sure about your filing status, see page 11. If you have questions about dependents, use TeleTax topic 354 (see page 6). If you cannot use this form, use TeleTax topic 352 (see page 6).

Filling in your return

For tips on how to avoid common mistakes, see page 29.

Enter your (and your spouse's if married) social security number on the front. Because this form is read by a machine, please print your numbers inside the boxes like this:

9	8	7	6	5	4	3	2	1	0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing Federal income tax withheld or if Federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

Remember, you must report all wages, salaries, and tips even if you do not get a W-2 form from your employer. You must also report all your taxable interest, including interest from banks, savings and loans, credit unions, etc., even if you do not get a Form 1099-INT.

Worksheet for dependents who checked "Yes" on line 5

(keep a copy for your records)

Use this worksheet to figure the amount to enter on line 5 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, use TeleTax topic 354 (see page 6).

A. Amount, if any, from line 1 on front 4500.00
+ 250.00 Enter total ▶ A. 4750.00
B. Minimum standard deduction . . . . B. 700.00
C. Enter the LARGER of line A or line B here . . . . C. 4750.00
D. Maximum standard deduction. If **single**, enter 4,300.00; if **married**, enter 7,200.00 . . . . D. 4300.00
E. Enter the SMALLER of line C or line D here. This is your standard deduction . . . . E. 4300.00
F. Exemption amount.
- If single, enter 0.
- If married and—
  —both you and your spouse can be claimed as dependents, enter 0.
  —only one of you can be claimed as a dependent, enter 2,750.00.

F. 0
G. Add lines E and F. Enter the total here and on line 5 on the front . . G. 4300.00

If you checked "No" on line 5 because no one can claim you (or your spouse if married) as a dependent, enter on line 5 the amount shown below that applies to you.

- **Single**, enter 7,050.00. This is the total of your standard deduction (4,300.00) and your exemption (2,750.00).
- **Married**, enter 12,700.00. This is the total of your standard deduction (7,200.00), your exemption (2,750.00), and your spouse's exemption (2,750.00).

Mailing return

Mail your return by **April 17, 2000**. Use the envelope that came with your booklet. If you do not have that envelope, see page 32 for the address to use.

Paid preparer's use only

See page 21.

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income received during the tax year. This declaration is based on all information of which I have any knowledge.

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶		EIN	

Form **1040EZ** (1999)

Sample Form 1040EZ, Page 2

Form 1040EZ (1999) Page **2**

Use this form if

- Your filing status is single or married filing jointly.
- You (and your spouse if married) were under 65 on January 1, 2000, and not blind at the end of 1999.
- You do not claim any dependents.
- Your taxable income (line 6) is less than $50,000.
- You do not claim a student loan interest deduction (see page 8) or an education credit.
- You had **only** wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, qualified state tuition program earnings, or Alaska Permanent Fund dividends, and your taxable interest was not over $400. **But** if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 13. If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see page 14.
- You did not receive any advance earned income credit payments.

If you are not sure about your filing status, see page 11. If you have questions about dependents, use TeleTax topic 354 (see page 6). If you **cannot use this form,** use TeleTax topic 352 (see page 6).

Filling in your return

For tips on how to avoid common mistakes, see page 29.

Enter your (and your spouse's if married) social security number on the front. Because this form is read by a machine, please print your numbers inside the boxes like this:

9	8	7	6	5	4	3	2	1	0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing Federal income tax withheld or if Federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

Remember, you must report all wages, salaries, and tips even if you do not get a W-2 form from your employer. You must also report all your taxable interest, including interest from banks, savings and loans, credit unions, etc., even if you do not get a Form 1099-INT.

Worksheet for dependents who checked "Yes" on line 5

(keep a copy for your records)

Use this worksheet to figure the amount to enter on line 5 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, use TeleTax topic 354 (see page 6).

A. Amount, if any, from line 1 on front ________ + 250.00 Enter total ►	A.	
B. Minimum standard deduction	B.	700.00
C. Enter the LARGER of line A or line B here	C.	
D. Maximum standard deduction. If **single**, enter 4,300.00; if **married**, enter 7,200.00	D.	
E. Enter the SMALLER of line C or line D here. This is your standard deduction	E.	
F. Exemption amount. • If single, enter 0. • If married and— —both you and your spouse can be claimed as dependents, enter 0. —only one of you can be claimed as a dependent, enter 2,750.00.	F.	
G. Add lines E and F. Enter the total here and on line 5 on the front . .	G.	

If you checked "No" on line 5 because no one can claim you (or your spouse if married) as a dependent, enter on line 5 the amount shown below that applies to you.

- Single, enter 7,050.00. This is the total of your standard deduction (4,300.00) and your exemption (2,750.00).
- Married, enter 12,700.00. This is the total of your standard deduction (7,200.00), your exemption (2,750.00), and your spouse's exemption (2,750.00).

Mailing return

Mail your return by **April 17, 2000.** Use the envelope that came with your booklet. If you do not have that envelope, see page 32 for the address to use.

Paid preparer's use only

See page 21.

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income received during the tax year. This declaration is based on all information of which I have any knowledge.

Preparer's signature ►	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ►		EIN	

Form **1040EZ** (1999)

Sample Form 1040EZ, Page 1

Department of the Treasury—Internal Revenue Service

Form **1040EZ** **Income Tax Return for Single and Joint Filers With No Dependents** (99) **1999** OMB No. 1545-0675

Use the IRS label here

Your first name and initial: John Last name: Meyer

If a joint return, spouse's first name and initial: Last name:

Home address (number and street). If you have a P.O. box, see page 12.: 96629 Jailhouse St Apt. no.: 143

City, town or post office, state, and ZIP code. If you have a foreign address, see page 12.: Salestown NH 00001

Your social security number 512 00 0187

Spouse's social security number

▲ IMPORTANT! ▲ You must enter your SSN(s) above.

Presidential Election Campaign (See page 12.)

Note. *Checking "Yes" will not change your tax or reduce your refund.*

Do you want $3 to go to this fund? ▶ Yes ☒ No ☐

If a joint return, does your spouse want $3 to go to this fund? ▶ Yes ☐ No ☐

				Dollars	Cents
Income Attach Copy B of Form(s) W-2 here. Enclose, but do not staple, any payment.	1	Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s).	1	20,655	.
	2	Taxable interest. If the total is over $400, you cannot use Form 1040EZ.	2		.
	3	Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends (see page 14).	3	,	.
	4	Add lines 1, 2, and 3. This is your **adjusted gross income.**	4	20,655	.
Note. You must check Yes or No.	5	Can your parents (or someone else) claim you on their return? Yes. ☐ Enter amount from worksheet on back. No. ☒ If single, enter 7,050.00. If married, enter 12,700.00. See back for explanation.	5	7,050	.
	6	Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your **taxable income.** ▶	6	13,605	.
Payments and tax	7	Enter your Federal income tax withheld from box 2 of your W-2 form(s).	7	2,388	.
	8a	**Earned income credit (see page 15).** b Nontaxable earned income: enter type and amount below. Type $	8a		.
	9	Add lines 7 and 8a. These are your **total payments.**	9	2,388	.
	10	**Tax.** Use the amount on **line 6 above** to find your tax in the tax table on pages 24–28 of the booklet. Then, enter the tax from the table on this line.	10	2,044	.
Refund Have it directly deposited! See page 20 and fill in 11b, 11c, and 11d.	11a	If line 9 is larger than line 10, subtract line 10 from line 9. This is your **refund.**	11a	344	.
	▶ b	Routing number ▶			
	▶ c	Type: Checking ☐ Savings ☐			
	d	Account number ▶			
Amount you owe	12	If line 10 is larger than line 9, subtract line 9 from line 10. This is the amount you owe. See page 21 for details on how to pay.	12	,	

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and accurately lists all amounts and sources of income I received during the tax year.

Sign here ▶ Keep copy for your records.

Your signature: John Meyer

Date: 4/10/00

Your occupation:

Spouse's signature if joint return. See page 11.

Date:

Spouse's occupation:

For Official Use Only: 1 2 3 4 5 / 6 7 8 9 10

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 23. Cat. No. 11329W 1999 Form 1040EZ

Sample Form 1040EZ, Page 1

Form **1040EZ**

Department of the Treasury—Internal Revenue Service

Income Tax Return for Single and Joint Filers With No Dependents (99) **1999** OMB No. 1545-0675

Use the IRS label here

Your first name and initial | Last name

If a joint return, spouse's first name and initial | Last name

Home address (number and street). If you have a P.O. box, see page 12. | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 12.

Your social security number

Spouse's social security number

▲ IMPORTANT! ▲ You **must** enter your SSN(s) above.

Presidential Election Campaign (See page 12.)

Note. *Checking "Yes" will not change your tax or reduce your refund.*

Do you want $3 to go to this fund? ▶ Yes ☐ No ☐

If a joint return, does your spouse want $3 to go to this fund? ▶ Yes ☐ No ☐

Dollars **Cents**

Income

Attach Copy B of Form(s) W-2 here. Enclose, but do not staple, any payment.

1 Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s). 1

2 Taxable interest. If the total is over $400, you cannot use Form 1040EZ. 2

3 Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends (see page 14). 3

4 Add lines 1, 2, and 3. This is your **adjusted gross income.** 4

Note. You must check Yes or No.

5 Can your parents (or someone else) claim you on their return?

Yes. Enter amount from worksheet on back. ☐

No. If **single**, enter 7,050.00. If **married**, enter 12,700.00. See back for explanation. ☐ 5

6 Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your **taxable income.** ▶ 6

Payments and tax

7 Enter your Federal income tax withheld from box 2 of your W-2 form(s). 7

8a **Earned income credit** (see page 15).

b Nontaxable earned income: enter type and amount below.

Type | $ 8a

9 Add lines 7 and 8a. These are your **total payments.** 9

10 **Tax.** Use the amount on **line 6 above** to find your tax in the tax table on pages 24–28 of the booklet. Then, enter the tax from the table on this line. 10

Refund

Have it directly deposited! See page 20 and fill in 11b, 11c, and 11d.

11a If line 9 is larger than line 10, subtract line 10 from line 9. This is your **refund.** 11a

▶ b Routing number

▶ c Type: Checking ☐ Savings ☐

d Account number

Amount you owe

12 If line 10 is larger than line 9, subtract line 9 from line 10. This is the **amount you owe.** See page 21 for details on how to pay. 12

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and accurately lists all amounts and sources of income I received during the tax year.

Sign here ▶ Keep copy for your records.

Your signature | Spouse's signature if joint return. See page 11.

Date | Your occupation | Date | Spouse's occupation

For Official Use Only 1 2 3 4 5 6 7 8 9 10

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 23. Cat. No. 11329W 1999 Form 1040EZ

Form 1040EZ, Page 2

Form 1040EZ (1999) Page **2**

Use this form if

- Your filing status is single or married filing jointly.
- You (and your spouse if married) were under 65 on January 1, 2000, and not blind at the end of 1999.
- You do not claim any dependents.
- Your taxable income (line 6) is less than $50,000.
- You do not claim a student loan interest deduction (see page 8) or an education credit.
- You had **only** wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, qualified state tuition program earnings, or Alaska Permanent Fund dividends, and your taxable interest was not over $400. **But** if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 13. If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see page 14.
- You did not receive any advance earned income credit payments.

If you are not sure about your filing status, see page 11. If you have questions about dependents, use TeleTax topic 354 (see page 6). If you **cannot use this form,** use TeleTax topic 352 (see page 6).

Filling in your return

For tips on how to avoid common mistakes, see page 29.

Enter your (and your spouse's if married) social security number on the front. Because this form is read by a machine, please print your numbers inside the boxes like this:

9	8	7	6	5	4	3	2	1	0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing Federal income tax withheld or if Federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

Remember, you must report all wages, salaries, and tips even if you do not get a W-2 form from your employer. You must also report all your taxable interest, including interest from banks, savings and loans, credit unions, etc., even if you do not get a Form 1099-INT.

Worksheet for dependents who checked "Yes" on line 5

(keep a copy for your records)

Use this worksheet to figure the amount to enter on line 5 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, use TeleTax topic 354 (see page 6).

A. Amount, if any, from line 1 on front ______
+ 250.00 Enter total ▶ A. ______

B. Minimum standard deduction . . . . B. 700.00

C. Enter the LARGER of line A or line B here . . . . C.

D. Maximum standard deduction. If **single,** enter 4,300.00; if **married,** enter 7,200.00 . . . . D.

E. Enter the SMALLER of line C or line D here. This is your standard deduction . . . . E.

F. Exemption amount. } F.
- If single, enter 0.
- If married and—
  - —both you and your spouse can be claimed as dependents, enter 0.
  - —only one of you can be claimed as a dependent, enter 2,750.00.

G. Add lines E and F. Enter the total here and on line 5 on the front . . G. ______

If you checked "No" on line 5 because no one can claim you (or your spouse if married) as a dependent, enter on line 5 the amount shown below that applies to you.

- **Single, enter 7,050.00.** This is the total of your standard deduction (4,300.00) and your exemption (2,750.00).
- **Married, enter 12,700.00.** This is the total of your standard deduction (7,200.00), your exemption (2,750.00), and your spouse's exemption (2,750.00).

Mailing return

Mail your return by **April 17, 2000.** Use the envelope that came with your booklet. If you do not have that envelope, see page 32 for the address to use.

Paid preparer's use only

See page 21.

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income received during the tax year. This declaration is based on all information of which I have any knowledge.

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶		EIN	

Form **1040EZ** (1999)

Form 1040EZ, Page 2

Form 1040EZ (1999) Page 2

Use this form if

- Your filing status is single or married filing jointly.
- You (and your spouse if married) were under 65 on January 1, 2000, and not blind at the end of 1999.
- You do not claim any dependents.
- Your taxable income (line 6) is less than $50,000.
- You do not claim a student loan interest deduction (see page 8) or an education credit.
- You had **only** wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, qualified state tuition program earnings, or Alaska Permanent Fund dividends, and your taxable interest was not over $400. **But** if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 13. If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see page 14.
- You did not receive any advance earned income credit payments.

If you are not sure about your filing status, see page 11. If you have questions about dependents, use TeleTax topic 354 (see page 6). If you **cannot use this form,** use TeleTax topic 352 (see page 6).

Filling in your return

For tips on how to avoid common mistakes, see page 29.

Enter your (and your spouse's if married) social security number on the front. Because this form is read by a machine, please print your numbers inside the boxes like this:

9	8	7	6	5	4	3	2	1	0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing Federal income tax withheld or if Federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

Remember, you must report all wages, salaries, and tips even if you do not get a W-2 form from your employer. You must also report all your taxable interest, including interest from banks, savings and loans, credit unions, etc., even if you do not get a Form 1099-INT.

Worksheet for dependents who checked "Yes" on line 5

(keep a copy for your records)

Use this worksheet to figure the amount to enter on line 5 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, use TeleTax topic 354 (see page 6).

A. Amount, if any, from line 1 on front ______
+ 250.00 Enter total ▶ A. ______
B. Minimum standard deduction . . . . B. 700.00
C. Enter the LARGER of line A or line B here . . . . C.
D. Maximum standard deduction. If **single,** enter 4,300.00; if **married,** enter 7,200.00 . . . . D.
E. Enter the SMALLER of line C or line D here. This is your standard deduction . . . . E.
F. Exemption amount.
- If single, enter 0.
- If married and—
  - —both you and your spouse can be claimed as dependents, enter 0.
  - —only one of you can be claimed as a dependent, enter 2,750.00.

F.
G. Add lines E and F. Enter the total here and on line 5 on the front . . G. ______

If you checked "No" on line 5 because no one can claim you (or your spouse if married) as a dependent, enter on line 5 the amount shown below that applies to you.

- **Single,** enter 7,050.00. This is the total of your standard deduction (4,300.00) and your exemption (2,750.00).
- **Married,** enter 12,700.00. This is the total of your standard deduction (7,200.00), your exemption (2,750.00), and your spouse's exemption (2,750.00).

Mailing return

Mail your return by **April 17, 2000.** Use the envelope that came with your booklet. If you do not have that envelope, see page 32 for the address to use.

Paid preparer's use only

See page 21.

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income received during the tax year. This declaration is based on all information of which I have any knowledge.

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶		EIN	

Form **1040EZ** (1999)

Answers to Quiz (Part 1):

NOTES:

Allow students 10 minutes to answer the questions. Discuss the answers and summarize the lessons learned.

1. b Form 1040EZ, Form 1040A, and Form 1040.

2. c Form 1040 is the most complex form.

3. b Filing status is determined at the end of the calendar year since that is the period for which you are filing taxes, and your status could change during the year.

4. d Getting a tax advantage by choosing married filing separately is a remote possibility.

5. c One of these may be chosen if the single taxpayer meets the requirements of the filing status.

6. d Each of the others would increase the amount of tax.

7. c File itemized deductions on Form 1040 along with Schedule A.

8. c Business income is filed on Form 1040 along with Schedule C.

Quiz (Part 1):

Circle the correct answer to each question.

1. The number of basic forms available to taxpayers for filing their tax return is:
   a. 2.
   b. 3.
   c. 4.
   d. 5.

2. The tax form that has the most provisions for subtractions from income and tax credits is:
   a. Form 1040EZ.
   b. Form 1040A.
   c. Form 1040.
   d. Forms 1040 and 1040A are the same on credits.

3. The day of the year that is most relevant for determining filing status is:
   a. The first day of the year.
   b. The last day of the year.
   c. April 15.
   d. July 1.

4. The filing status that is chosen least often by taxpayers is:
   a. Single.
   b. Married filing joint return
   c. Head of household.
   d. Married filing separate return.

5. Some single persons can qualify for:
   a. Head of household filing status.
   b. Qualifying widow(er) filing status.
   c. Both "a" and "b".
   d. Neither "a" nor "b".

6. Which of the following would reduce the amount of total tax on a tax return?
   a. Selecting a single filing status rather than a head of household status.
   b. Having more income.
   c. Having few subtractions from income.
   d. Having more tax credits.

7. The tax form that allows for itemized deductions is:
   a. Form 1040EZ.
   b. Form 1040A.
   c. Form 1040.
   d. Both Forms 1040 and 1040A.

8. If an individual has earned income from a business, the appropriate form to use is:
   a. Form 1040EZ.
   b. Form 1040A.
   c. Form 1040.
   d. Either Forms 1040 and 1040A.

Answers to Quiz (Part 2):

9. a To claim a dependent you must use either Form 1040A or Form 1040.

10. c Only income from wages, salaries, tips, and interest income can be reported on Form 1040EZ.

11. b The 1999 personal exemption is $2,750.

12. d Wages, salary, and income interest are all reported on Form 1040EZ.

13. c Taxable income is adjusted gross income, minus deductions, etc.

14. c You are not entitled to a personal exemption if your parents can claim you as a dependent on their tax return.

15. d Tax tables specify the amount of tax owed. Any amount of tax overpaid will be refunded.

Summary

Key Points to Remember

- Filing status will determine which tax form to use.
- Filing status is determined, based on your situation December 31, 1999.
- 1040EZ is the simplest tax form.
- Form 1040EZ is the only form with a filing status limitation (single or married filing jointly).
- Information issued to complete Form 1040EZ will come from Form W-2 and the 1099's.
- Tax forms must be accurate.
- Tax forms may be filed by mail or electronically.

Quiz (Part 2):

Circle the correct answer to each question.

9. Which of the following would prevent a taxpayer from using Form 1040EZ?
   a. Taxpayer claims a son as a dependent.
   b. Taxpayer is 60 years old.
   c. Taxpayer has earned interest of $300 from his checking account deposit.
   d. Taxpayer has earned wages of $32,000.

10. Which of the following types of income cannot be reported using Form 1040EZ?
   a. Salaries.
   b. Tips.
   c. Dividends.
   d. Wages.

11. The dollar amount of the personal exemption for one person is closest to:
   a. $1,500.
   b. $2,750.
   c. $3,500.
   d. $4,500.

12. Adjusted gross income for Form 1040EZ can include:
   a. wage income.
   b. salary income.
   c. interest income.
   d. All of the above.

13. An individual's tax obligation, determined from the tax tables, is based specifically on his or her:
   a. total wages.
   b. adjusted gross income
   c. taxable income.
   d. federal income tax withheld.

14. Which of the following would have the effect of increasing the amount you owe (or decreasing your refund) with your 1040EZ tax return?
   a. You decide to provide $3 to the fund that supports presidential elections campaigns.
   b. A decrease in your interest income.
   c. Your parents can claim you as a dependent on their tax return.
   d. A larger amount of tax withheld as shown on your W-2 Form(s)

15. A taxpayer using Form 1040EZ receives a refund if:
   a. Adjusted gross income is greater than taxable income.
   b. Taxable income is greater than adjusted gross income.
   c. Tax from tax table is greater than federal income tax withheld.
   d. Federal income tax withheld is greater than tax from tax table.

Instructor's Guide
Becoming Taxwise
Lesson 3-A:
Form 1040A

90 minutes

Introduction:

Using the correct filing form is important. Form 1040A is more complex than Form 1040EZ, but less complex than Form 1040. Form 1040A is called the "short form."

Objectives:

After completion of this lesson, students should:

- understand Form 1040A and how and when to select it.
- understand which form to select.
- know how to determine deductions, tax credits, and payments.

Forms and Filing Status

Form 1040A is two pages long and may be supplemented by four schedules.

If you have income from sources listed on 1040A, but not on 1040EZ—such as dividend income—you cannot file 1040EZ. With Form 1040A, if your interest income or your dividend income is greater than $400, you must file Schedule 1. Other schedules which may be used with Form 1040A include the Child and Dependent Care Expense Credit (Schedule 2), the Credit for the Elderly or Disabled (Schedule 3), the Child Tax Credit, Education Credit (Form 8863), the Adoption Credit (Form 8839) and the Earned Income Credit (Schedule EIC).

Form 1040A

Subtractions from income help taxpayers reduce the amount of tax owed.

EQUIPMENT NEEDED:

Chalk board or flip chart
Chalk or 2 color markers
Overhead projector and transparencies

CLASS TO INCLUDE:

Introduction	10 minutes
Discussion & Activities	60 minutes
Quiz & Summary	20 minutes

Student's Guide
Becoming Taxwise
Lesson 3-A:
Form 1040A

Introduction:

Form 1040A is the "in-between" tax return form in terms of features and complexity when compared to Form 1040EZ and Form 1040.

During this lesson you will learn:

- how to complete Form 1040A.
- when to select Form 1040A.
- [illegible] to use the standard deduction versus itemizing.
- how to determine exemptions and deductions.
- how to calculate tax, credits, and payments.

Even though the complexity of Form 1040A is greater than Form 1040EZ, it stops short of Form 1040, the "long form." Form 1040 allows for the reporting of more kinds of income and has more provisions for tax deductions and credits.

TERMINOLOGY

Citizenship or resident test - The dependent must be a U.S. citizen or resident, or a resident of Canada or Mexico for some part of the calendar year in which your tax year begins. Children usually are citizens or residents of the country of their parents. A child born in a foreign country is recognized as a U.S. citizen for tax purposes if either parent is a U.S. citizen. An adopted child who is not a U.S. citizen, but who lived with you for a whole year, may also be a dependent.

Gross income test - You cannot claim a dependency exemption for a person whose gross income is equal to or more than the personal exemption amount. The exemption amount for 1999 is $2,750. The gross income test does not apply to your child who is under age 19 or who is under age 24 and is a full-time student for some part of each of five calendar months of the year.

continued on page 41

PUBLICATIONS: 📖

501	*Exemptions, Standard Deductions, and Filing Informatoin*
526	*Charitable Contributions*
590	*Individual Retirement Arrangements (IRAs)*

TELE-TAX TOPICS: ☎

354	*Dependents*

Activities & Discussion

Activity 1: Filing Status

Case 1
Phil and Diane have been married for five years. They can file either a joint return or two separate returns.

> *Answer: Since there are no unusual circumstances, such as being separated, they can probably reduce the taxes they pay by selecting the married filing joint return filing status.*

Case 2
Samantha is divorced. Her 8-year-old son lives with her. Samantha received child support payments from her ex-husband, but still provides over half the cost of maintaining the home.

> *Answer: Even though she is single, Samantha is eligible for the head of household filing status because her son lives with her most of the year. Her taxes will be lower if she chooses this filing status instead of single filing status.*

Dependency Exemptions. You may claim a dependency exemption for others only if certain tests are met. A dependent is a person—other than the taxpayer or spouse—who entitles the taxpayer to claim the dependency exemption. These are the five dependency tests that must be met:

1. Support test
2. Gross income test
3. Member of household or relationship test
4. Citizenship or resident test
5. Joint return test

Form 1040A

You can think of page 1 as the income side of the tax form. Page 2 of 1040A deals with the calculation of tax liability starting from the figure for adjusted gross income.

Your Filing Status

The filing status you use depends on your marital status and other factors. Filing status is an important consideration because it determines the standard deduction and rates at which income is taxed.

For married filing joint return, the incomes of the husband and wife are combined at the same rate.

For 1999, each exemption reduces the amount of income subject to the income tax by $2,750. There are two kinds of exemptions allowed on Form 1040A: personal exemptions (shown on Lines 6a and 6b) and dependency exemptions (shown on Line 6c).

Figuring Your Exemptions. You may claim a personal exemption unless you can be claimed as a dependent on another person's return. For example, a student filing a tax return cannot take a personal exemption if his or her parents can claim the student as a dependent on their tax return. Be sure to enter the Social Security numbers of your dependents. This is important for the personal exemption and also for claiming Child and Dependent Care Expenses, Earned Income Tax Credit, and Child Tax Credit.

Activities & Discussion

Activity 1: Filing Status

Case 1
Phil and Diane have been married for five years. They can file either a joint return or two separate returns. Which is best for them?

Case 2
Samantha is divorced. Her 8-year-old son lives with her. Samantha received child support payments from her ex-husband, but still provides over half the cost of maintaining the home. Which filing status is best for Samantha?

Form 1040A

Some provisions contained on 1040A that are not on 1040EZ are:

- filing status other than single or married filing jointly
- multiple exemptions
- several forms of income other than wages, salaries, tips, scholarships and fellowships, and interest
- deductions for Individual Retirement Arrangements (IRAs)
- several tax credits

Terminology *continued*

Joint return test - Generally, a dependent who is married can be claimed as a dependent if that person does not file a joint tax return with his or her spouse and the other dependency tests are met. However, you may be able to claim that person if he or she files a joint return solely to get a refund of all federal income tax withheld.

Member of household or relationship test - You may claim exemptions for persons who lived with you all year as members of the household, even if there are temporary absences, such as attending school. Relatives who typically meet the relationship test include: a child, stepchild, grandchild, foster child, son- or daughter-in-law, parent, grandparent, parent-in-law, brother/sister, stepbrother/stepsister, aunt, uncle, niece, or nephew

Support test - You must provide *more than half* of the dependent's total support for the entire year. Total support includes food, clothing, shelter (at fair rental value), education, medical and dental care, recreation, and transportation.

Filing Status, the Standard Deduction, and Tax Rates

Some single taxpayers may qualify as head of household or qualifying widow(er) in addition to the single filing status. Since tax rates may be lower and the standard deduction is higher for these filing statuses, you should not use the single status if one of the other choices is available. To reduce taxes paid, married persons almost always file a joint tax return rather than separate tax returns.

Filing status may also influence the tax rates applied to taxable income. There are five (5) basic tax rates in the individual income tax: 15%, 28%, 31%, 36%, and 39.6%. Initially, the tax rate on taxable income is 15%. After taxable income reaches a certain level, the tax rate on additional income rises to 18%. At a still higher taxable income threshold, the tax rate on additional income rises to 31%.

Figure 3
Subtractions From Total Income and Tax Forms

1040EZ	1040A	1040	
x	x	x	Personal exemption *
x	x	x	Standard deduction
	x	x	Standard deduction for age and/or blindness
		x	Itemized deductions
		x	IRA deductions
		x	Half or self-employment tax
		x	Keogh and SEP retirement contributions
		x	Alimony payments
		x	Penalty or early withdrawal of savings
		x	Self-employment health insurance

* Limited to two exemptions on Form 1040EZ

NOTE: Make a transparency of Figure 3 and refer to it during the class discussion. A copy can be found in Appendix C.

Discussion Points

- Form 1040 is two pages long. A Form 1040 tax return may be supported by numerous forms and schedules that provide necessary information to support the basic form. These include:

  Schedule A for itemized deductions;

  Schedule B for interest and dividend income;

  Schedule C for self-employment tax.

- One of the first steps you take in filing a tax return is to determine your filing status. Filing status depends on marital status and other factors. Filing status will help determine whether or not you can use Form 1040A.

- Only single taxpayers or married taxpayers filing jointly can use Form 1040EZ.

- Filing status also has a substantial impact on tax owed.

- The various subtractions or deductions listed in Figure 3 reduce the amount of taxable income. If you are eligible for a particular subtraction from income, make sure to use the form that allows that deduction.

Filing Status, Standard Deduction and Tax Rates

The standard deduction is different for the various filing statuses. The standard deduction is an amount of income that is exempt from taxation. Generally, the standard deduction is based on filing status--not on any particular expenditures made by the taxpayer. Obviously, you would prefer to have a larger standard deduction.

Subtractions from income help taxpayers reduce the amount of tax owed. The various subtractions or deductions listed in Figure 3 reduce the amount of taxable income. If you are eligible for a particular subtraction from income, make sure to use the form that allows that deduction.

Figure 3
Subtractions From Total Income and Tax Forms

1040EZ	1040A	1040	
x	x	x	Personal exemption *
x	x	x	Standard deduction
	x	x	Standard deduction for age and/or blindness
		x	Itemized deductions
		x	IRA deductions
		x	Half or self-employment tax
		x	Keogh and SEP retirement contributions
		x	Alimony payments
		x	Penalty or early withdrawal of savings
		x	Self-employment health insurance

* Limited to two exemptions on Form 1040EZ

After taking these deductions from total income, the result is your taxable income. There is a taxable income limit for Forms 1040EZ and 1040A. If your taxable income is $50,000 or more, you must file Form 1040.

NOTES:

Activity 2: Form 1040A, Page 1

1. Distribute blank Form 1040A to students.
2. Review the format of page 1 with the class.
3. Write the names Joseph and Martina Seetoo on the board.
4. Review the information about Joseph and Martina with the class.

Discussion Points

- Page 1 of Form 1040A deals with income.
- Information on wages will come from W-2 forms. Copies of W-2 forms must be attached to the form.
- Unemployment compensation is considered income.

Activity 2: Form 1040A, Page 1

NOTES:

Joseph and Martina Seetoo are married and have determined they will use the filing status of married filing jointly. Use the following information to complete a 1040A for them.

a. Joseph, SSN 444-66-5555

b. Martina, SSN 111-22-3333

c. Address: 462 Main St., Apt. 4, Anywhere, IA 00001

d. They do not want $3 to do to the Election Campaign Fund.

e. They have a 17-year-old son, Juan, and a 18-year-old son, Jamal, who are both full-time students.

f. Joseph's Form W-2 from Sun Enterprises shows wages of $42,670.

g. Martina's Form W-2 from her part-time employment at Ginger House, Inc. shows wages of $18,340.

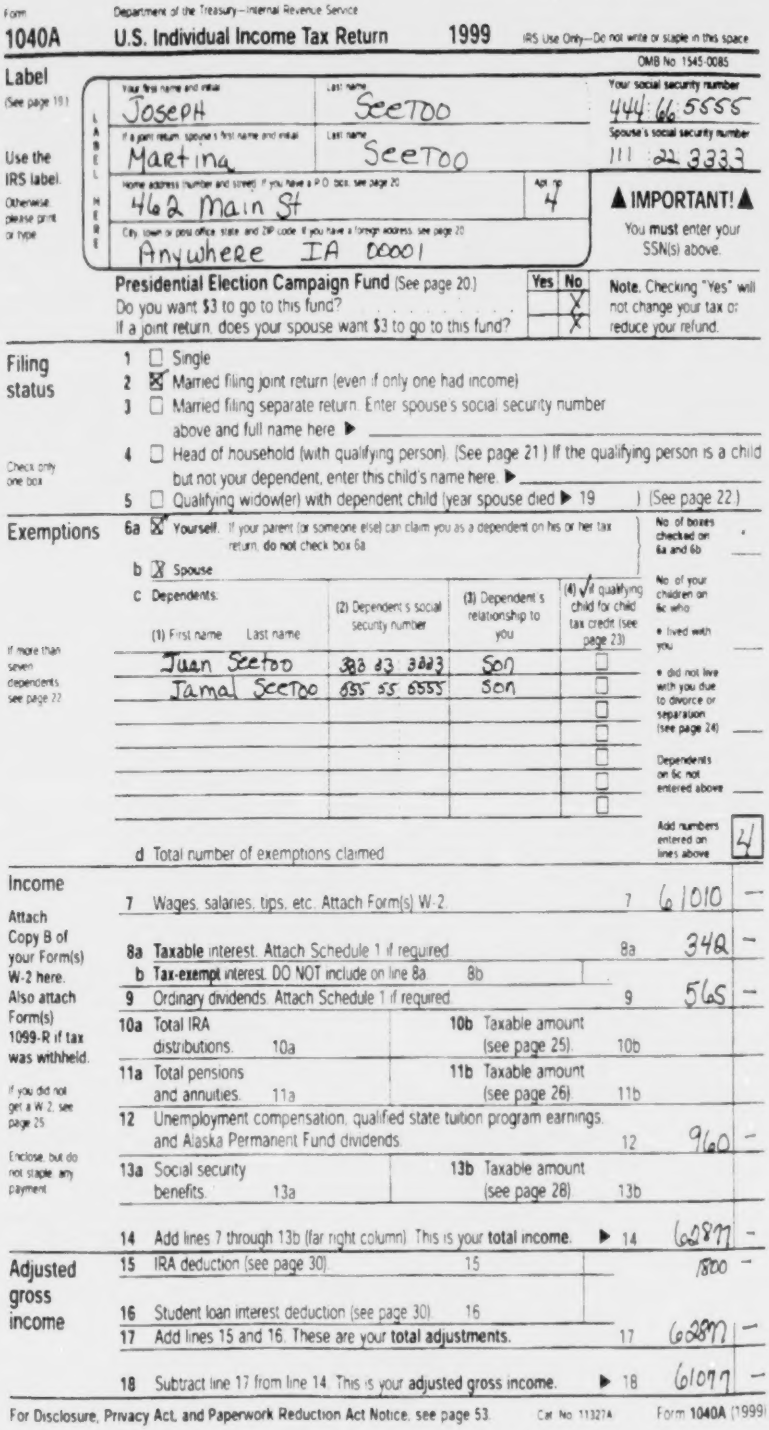
h. W-2 forms show total witholding of $5,450.

i. They have earned $342 in interest and $223 in dividends.

j. Joseph received unemployment compensation of $960 during the year.

k. Both Joseph and Martina each contributed $900 to their individual IRA's.

Sample Form 1040A, Page 1



Form **1040A** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1999** IRS Use Only—Do not write or staple in this space
OMB No 1545-0085

Label (See page 19.)
Use the IRS label. Otherwise, please print or type.
LABEL HERE

Your first name and initial: Joseph
Last name: SeeToo
Your social security number: 444 66 5555
If a joint return, spouse's first name and initial: Martina
Last name: SeeToo
Spouse's social security number: 111 22 3333
Home address (number and street). If you have a P.O. box, see page 20: 462 Main St
Apt. no.: 4
City, town or post office, state, and ZIP code. If you have a foreign address, see page 20: Anywhere IA 00001

▲IMPORTANT!▲ You **must** enter your SSN(s) above.

Presidential Election Campaign Fund (See page 20.)	Yes	No
Do you want $3 to go to this fund?	☐	☒
If a joint return, does your spouse want $3 to go to this fund?	☐	☒

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing status (Check only one box)
1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19) (See page 22.)

Exemptions
6a ☒ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a
b ☒ Spouse
c Dependents: (If more than seven dependents, see page 22.)

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) √ if qualifying child for child tax credit (see page 23)
Juan Seetoo	333 33 3333	Son	☐
Jamal SeeToo	555 55 5555	Son	☐
			☐
			☐
			☐
			☐
			☐

No. of boxes checked on 6a and 6b
No. of your children on 6c who:
• lived with you
• did not live with you due to divorce or separation (see page 24)
Dependents on 6c not entered above
Add numbers entered on lines above: 4

d Total number of exemptions claimed

Income
Attach Copy B of your Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.
If you did not get a W-2, see page 25.
Enclose, but do not staple, any payment.

7	Wages, salaries, tips, etc. Attach Form(s) W-2.	7	61010 —
8a	**Taxable** interest. Attach Schedule 1 if required.	8a	342 —
b	**Tax-exempt** interest. DO NOT include on line 8a. 8b		
9	Ordinary dividends. Attach Schedule 1 if required.	9	565 —
10a	Total IRA distributions. 10a / 10b Taxable amount (see page 25).	10b	
11a	Total pensions and annuities. 11a / 11b Taxable amount (see page 26).	11b	
12	Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends.	12	960 —
13a	Social security benefits. 13a / 13b Taxable amount (see page 28).	13b	
14	Add lines 7 through 13b (far right column). This is your **total income.** ▶	14	62877 —

Adjusted gross income

15	IRA deduction (see page 30). 15		1800 —
16	Student loan interest deduction (see page 30). 16		
17	Add lines 15 and 16. These are your **total adjustments.**	17	62877 —
18	Subtract line 17 from line 14. This is your **adjusted gross income.** ▶	18	61077 —

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 53. Cat. No. 11327A Form **1040A** (1999)

Form 1040A, Page 1

Steps to follow:

1. **Label.** Contains basic taxpayer information and Presidential Election Campaign Fund check-off boxes.
2. **Check the box for your filing status.** Select one of five filing statuses for your return.
3. **Figure your exemptions.** Determine how many exemptions you can claim.
4. **Figure your total income.** Enter and add together the amounts of taxable income from various sources.
5. **Figure your adjusted gross income.** Subtract IRA deductions from total income to determine your adjusted gross income.

Sample Form 1040A, Page 1

Form **1040A** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return **1999** IRS Use Only—Do not write or staple in this space

OMB No. 1545-0085

Label (See page 19.)

Use the IRS label. Otherwise, please print or type

LABEL HERE

Your first name and initial	Last name	Your social security number
If a joint return, spouse's first name and initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see page 20.	Apt. no.	
City, town or post office, state, and ZIP code. If you have a foreign address, see page 20.		

▲ IMPORTANT! ▲
You **must** enter your SSN(s) above.

Presidential Election Campaign Fund (See page 20.) Yes | No
Do you want $3 to go to this fund? . . . .
If a joint return, does your spouse want $3 to go to this fund?

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing status

Check only one box

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and full name here. ▶ ______
4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ ______
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 22.)

Exemptions

6a ☐ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a.
b ☐ **Spouse**

No. of boxes checked on 6a and 6b ____

c **Dependents:**

If more than seven dependents, see page 22.

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 23)
			☐
			☐
			☐
			☐
			☐
			☐
			☐

No. of your children on 6c who:
- lived with you ____
- did not live with you due to divorce or separation (see page 24) ____

Dependents on 6c not entered above ____

Add numbers entered on lines above ☐

d Total number of exemptions claimed.

Income

Attach Copy B of your Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 25.

Enclose, but do not staple, any payment.

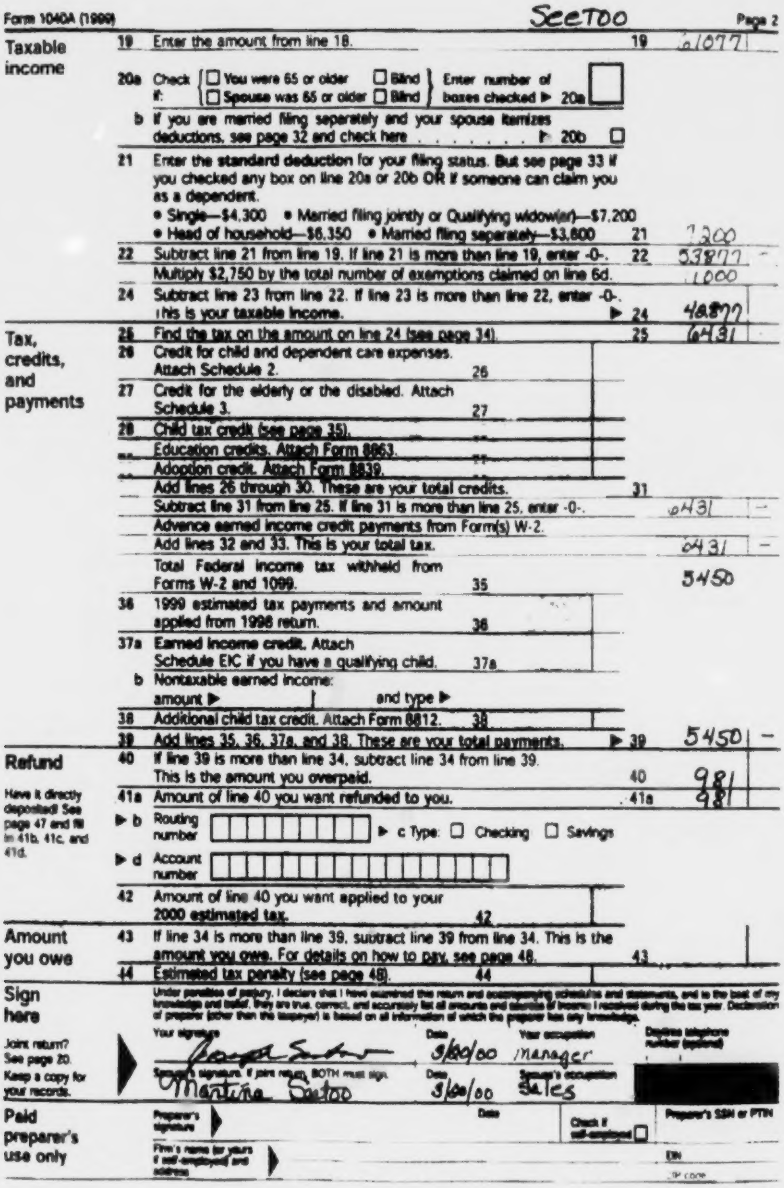
7 Wages, salaries, tips, etc. Attach Form(s) W-2. 7
8a **Taxable** interest. Attach Schedule 1 if required. 8a
b **Tax-exempt** interest. DO NOT include on line 8a. 8b
9 Ordinary dividends. Attach Schedule 1 if required. 9
10a Total IRA distributions. 10a — 10b Taxable amount (see page 25). 10b
11a Total pensions and annuities. 11a — 11b Taxable amount (see page 26). 11b
12 Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends. 12
13a Social security benefits. 13a — 13b Taxable amount (see page 28). 13b
14 Add lines 7 through 13b (far right column). This is your **total income.** ▶ 14

Adjusted gross income

15 IRA deduction (see page 30). 15
16 Student loan interest deduction (see page 30). 16
17 Add lines 15 and 16. These are your **total adjustments.** 17
18 Subtract line 17 from line 14. This is gross income. ▶ 18

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 53. Cat. No. 11327A Form **1040A** (1999)

Sample Form 1040A, Page 2



Form 1040A (1999) SeeToo Page 2

Taxable income

19 Enter the amount from line 18. 19 61077

20a Check if: ☐ You were 65 or older ☐ Blind ☐ Spouse was 65 or older ☐ Blind } Enter number of boxes checked ▶ 20a ☐

b If you are married filing seperately and your spouse itemizes deductions, see page 32 and check here . . . . ▶ 20b ☐

21 Enter the **standard deduction** for your filing status. But see page 33 if you checked any box on line 20a or 20b OR if someone can claim you as a dependent.
- Single—$4,300 • Married filing jointly or Qualifying widow(er)—$7,200
- Head of household—$6,350 • Married filing seperately—$3,800 21 7200

22 Subtract line 21 from line 19. If line 21 is more than line 19, enter -0-. 22 53877 –

Multiply $2,750 by the total number of exemptions claimed on line 6d. 1000

24 Subtract line 23 from line 22. If line 23 is more than line 22, enter -0-. This is your **taxable income.** ▶ 24 48877

Tax, credits, and payments

25 Find the tax on the amount on line 24 (see page 34). 25 6431

26 Credit for child and dependent care expenses. Attach Schedule 2. 26

27 Credit for the elderly or the disabled. Attach Schedule 3. 27

28 Child tax credit (see page 35).

Education credits. Attach Form 8863.

Adoption credit. Attach Form 8839.

Add lines 26 through 30. These are your total credits. 31

Subtract line 31 from line 25. If line 31 is more than line 25, enter -0-. 6431 –

Advance earned income credit payments from Form(s) W-2.

Add lines 32 and 33. This is your total tax. 6431 –

Total Federal income tax withheld from Forms W-2 and 1099. 35 5450

36 1999 estimated tax payments and amount applied from 1998 return. 36

37a Earned income credit. Attach Schedule EIC if you have a qualifying child. 37a

b Nontaxable earned income: amount ▶ and type ▶

38 Additional child tax credit. Attach Form 8812. 38

39 Add lines 35, 36, 37a, and 38. These are your total payments. ▶ 39 5450 –

Refund

Have it directly deposited! See page 47 and fill in 41b, 41c, and 41d.

40 If line 39 is more than line 34, subtract line 34 from line 39. This is the amount you overpaid. 40 981

41a Amount of line 40 you want refunded to you. 41a 981

▶ b Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings

▶ d Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

42 Amount of line 40 you want applied to your 2000 estimated tax. 42

Amount you owe

43 If line 34 is more than line 39, subtract line 39 from line 34. This is the amount you owe. For details on how to pay, see page 48. 43

44 Estimated tax penalty (see page 48). 44

Sign here

Joint return? See page 20. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature | Date 3/20/00 | Your occupation manager | Daytime telephone number (optional) [redacted]

Spouse's signature. If joint return, BOTH must sign. Martina Seetoo | Date 3/20/00 | Spouse's occupation Sales

Paid preparer's use only

Preparer's signature ▶ | Date | Check if self-employed ☐ | Preparer's SSN or PTIN

Firm's name (or yours if self-employed) and address ▶ | EIN | ZIP code

Form 1040A (1999)

Form 1040A, Page 2
continued

6. **Figure your standard deduction, exemption amount, and taxable income.** From adjusted gross income, subtract your standard deduction and $2,750 for each exemption. The result is taxable income.

7. **Figure your tax, credits, and payments.** Determine the tax on your taxable income. From the amount of tax, subtract tax credits and payments (including federal income tax withheld).

8. **Figure your refund or amount you owe.** Generally, if you have overpaid your tax, you can receive a refund. If you have underpaid your tax, you will have a balance due.

9. Sign your return.

Sample Form 1040A, Page 2

Form 1040A (1999) Page 2

Taxable income

19 Enter the amount from line 18. 19

20a Check if: ☐ **You** were 65 or older ☐ Blind ☐ **Spouse** was 65 or older ☐ Blind } **Enter number of boxes checked** ▶ 20a ☐

b If you are married filing separately and your spouse itemizes deductions, see page 32 and check here . . . . ▶ 20b ☐

21 Enter the **standard deduction** for your filing status. **But** see page 33 if you checked any box on line 20a or 20b **OR** if someone can claim you as a dependent.
- Single—$4,300
- Married filing jointly or Qualifying widow(er)—$7,200
- Head of household—$6,350
- Married filing separately—$3,600

21

22 Subtract line 21 from line 19. If line 21 is more than line 19, enter -0-. 22

23 Multiply $2,750 by the total number of exemptions claimed on line 6d. 23

24 Subtract line 23 from line 22. If line 23 is more than line 22, enter -0-. This is your **taxable income.** ▶ 24

Tax, credits, and payments

25 Find the tax on the amount on line 24 (see page 34). 25

26 Credit for child and dependent care expenses. Attach Schedule 2. 26

27 Credit for the elderly or the disabled. Attach Schedule 3. 27

28 Child tax credit (see page 35). 28

29 Education credits. Attach Form 8863. 29

30 Adoption credit. Attach Form 8839. 30

31 Add lines 26 through 30. These are your **total credits.** 31

32 Subtract line 31 from line 25. If line 31 is more than line 25, enter -0-. 32

33 Advance earned income credit payments from Form(s) W-2. 33

34 Add lines 32 and 33. This is your **total tax.** ▶ 34

35 Total Federal income tax withheld from Forms W-2 and 1099. 35

36 1999 estimated tax payments and amount applied from 1998 return. 36

37a **Earned income credit.** Attach Schedule EIC if you have a qualifying child. 37a

b Nontaxable earned income: amount ▶ and type ▶

38 Additional child tax credit. Attach Form 8812. 38

39 Add lines 35, 36, 37a, and 38. These are your **total payments.** ▶ 39

Refund

Have it directly deposited! See page 47 and fill in 41b, 41c, and 41d.

40 If line 39 is more than line 34, subtract line 34 from line 39. This is the amount you **overpaid.** 40

41a Amount of line 40 you want **refunded to you.** 41a

▶ b Routing number ▶ c Type: ☐ Checking ☐ Savings

▶ d Account number

42 Amount of line 40 you want **applied to your 2000 estimated tax.** 42

Amount you owe

43 If line 34 is more than line 39, subtract line 39 from line 34. This is the **amount you owe.** For details on how to pay, see page 48. 43

44 Estimated tax penalty (see page 48). 44

Sign here

Joint return? See page 20. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature	Date	Your occupation	Daytime telephone number (optional) ( )
Spouse's signature. If joint return, BOTH must sign	Date	Spouse's occupation	

Paid preparer's use only

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶			EIN
			ZIP code

Form **1040A** (1999)

Line 7—Wages, Salaries, and Tips

If you received a scholarship or fellowship grant, part of it may be taxable even if you did not receive a Form W-2 for the amount. Add the taxable part to any other amounts on Line 7, and write "SCH" and the amount not reported on Form W-2 in the space to the left of Line 7.

Lines 8a and 8b—Interest Income

If taxable interest is over $400, you must complete and attach Schedule 1—Interest and Dividend Income. Schedule 1 for Form 1040A is very similar to Schedule B of Form 1040. (See Schedule 1 in Appendix B.)

Line 9—Dividends

If your dividends total over $400, you must complete and attach Schedule 1—Interest and Dividend Income. Schedule 1 for Form 1040A is very similar to Schedule B of Form 1040. (See Schedule 1 in Appendix B.)

NOTES:

Line 7—Wages, Salaries, and Tips

Wages and salaries are compensation received for services performed. They are shown in Box 1 of W-2 forms provided by employers.

Tips are money and goods received as gratuities for services performed.

Lines 8a and 8b—Interest Income

Interest is money earned from savings accounts, checking accounts, bonds, etc. The taxable amount is shown on Line 8a. Tax-exempt interest must be shown on Line 8b. However, this amount is not included with taxable interest in the total on Line 8a.

Line 9—Dividends

Dividends are frequently called stock dividends. Dividends are payments a corporation makes to shareholders from its earnings and profits. Amounts paid by credit unions on share accounts are sometimes called dividends, but they are reported as interest on tax returns.

NOTES:

NOTES:

Lines 10a and 10b—IRA Distributions

If the IRA distribution is fully taxable, leave Line 10a blank and report the full amount on Line 10b.

Lines 11a and 11b—Pensions and Annuities

If you did not contribute to the cost of the pension plan or received a military pension based on age or length of service, the income received is fully taxable.

Line 12—Unemployment Compensation

Normally the entire amount of unemployment compensation received is included in taxable income. However, in a few states, workers contribute to the unemployment compensation program. In this situation, part of the unemployment benefits may not be taxable.

Lines 13a and 13b—Social Security and Equivalent Railroad Retirement Benefits

Social Security benefits also include equivalent benefits that the Railroad Retirement board pays to its retirees.

Line 14—Total Income

Only the taxable portions of interest income (Line 8a), IRA distributions (Line 10b), pensions and annuities (Line 11b), and Social Security or equivalent railroad retirement benefits (Line 13b) are included in total income on Line 14.

Sign and date your return.

Lines 10a and 10b—IRA Distributions

Generally, distributions from an individual retirement arrangement (IRA) are fully taxable. If you receive IRA distributions, you would report the total on Line 10a of Form 1040A and the taxable part of the total on Line 10b of Form 1040A.

Lines 11a and 11b—Pensions and Annuities

Pension or annuity income is usually divided into taxable and nontaxable portions. Report the total pension or annuity income on Line 11a and the taxable part on Line 11b.

Line 12—Unemployment Compensation

Unemployment compensation includes benefits paid by a state to unemployed individuals from an unemployment trust fund. If you have received unemployment benefits, you will receive a statement by February 1, 2000, indicating the total amount of your unemployment benefits for the year.

Lines 13a and 13b—Social Security and Equivalent Railroad Retirement Benefits

Some taxpayers may have to include part of their Social Security benefits in taxable income.

Line 14—Total Income

The last task of this section for Form 1040A is to determine total income. All of your Line 7 wages, etc., Line 9 dividends, and Line 12 unemployment compensation are part of taxable income.

Sign and date your return. Be sure to sign and date your return. An unsigned form will be returned to you by the IRS.

NOTES:

Answers to Quiz (Part 1):

Allow students 10 minutes to answer the questions. Discuss the answers and summarize the lesson.

1. d 1040EZ is the simplest form. Form 1040 allows for more detail.

2. c The higher the number of exemptions, the less tax paid.

3. c Reporting business income requires Form 1040 along with Schedule C.

4. d Interest over $400 requires the additional form.

5. d Part of Social Security benefits are taxed.

6. a An IRA contribution lowers adjusted gross income.

Quiz (Part 1):

Circle the correct answer for each question.

1. There is no difference between Form 1040EZ and Form 1040A in:
   a. the choices for filing status.
   b. the types of income that can be reported.
   c. the available adjustments to income and tax credits.
   d. none of the above.

2. For the same taxable income, which of the following filing statuses brings the lowest tax obligation?
   a. Single.
   b. Head of household.
   c. Married filing joint return or qualifying widow(er).
   d. Married filing separate return.

3. Each of the following can be entered into the section on total income on Form 1040A except:
   a. taxable interest.
   b. ordinary dividends.
   c. business income.
   d. unemployment compensation.

4. For Form 1040A:
   a. you cannot report interest income.
   b. all interest income is taxable.
   c. you can only report interest income up to $400.
   d. with interest income over $400, you must file Schedule 1.

5. For which of the following can a taxpayer have a taxable and a nontaxable amount?
   a. Wages.
   b. Dividends.
   c. Unemployment compensation.
   d. Social Security benefits.

6. Having a deductible IRA contribution on 1040A has the effect of:
   a. reducing adjusted gross income.
   b. increasing adjusted gross income.
   c. has no effect on adjusted gross income.
   d. there is no provision for IRA contributions on Form 1040A.

Answers to Quiz (Part 2):

7. c Each exemption reduced taxable income by $2,750 in 1999. Adding three exemptions would be $8,250.

8. a The 1999 standard deduction for single filing status was $4,300.

9. a A dollar tax credit saves one dollar in tax. The benefit of a deduction will be less than one dollar and depends on your tax rate.

Summary

Key Points to Remember

- Form 1040A is called the "short form."
- Page 1 of Form 1040A deals with income. Page 2 deals with credits, deductions and payments.
- You must file a Form 1040A if you have over $400 in interest income and complete a Schedule 1.
- If you have over $400 in dividend income, you must complete a Schedule 1.

Quiz (Part 2):

Circle the correct answer for each question.

7. Which of the following is closest to the amount of reduction in taxable income that would result from three exemptions?
   a. $1,500.
   b. $3,000.
   c. $8,200.
   d. $12,000.

8. Which of the following has the smallest standard deduction?
   a. Single.
   b. Head of household.
   c. Qualifying widow(er).
   d. All are the same.

9. Compared to a $100 deduction, a $100 tax credit provides:
   a. more tax saving for the taxpayer.
   b. less tax saving for the taxpayer.
   c. the same tax saving for the taxpayer
   d. zero tax saving, just like a deduction.

Instructor's Guide
Becoming Taxwise
Lesson 3-B:
Form 1040A, Advanced

90 minutes

Introduction:

By understanding the credits and completing Form 1040A, taxpayers can reduce their tax liability.

Objectives:

Upon completion of this lesson, students should:

- know the terminology used on Form 1040A.
- understand deductions, credits, and adjustments.
- understand the difference between a regular IRA and tax deferred IRA

Figure 4
Tax Credits and Tax Forms

1040EZ	1040A	1040	
	x	x	Credit for child and dependent care
	x	x	Credit for the elderly or the disabled
	x	x	Child tax credit
	x	x	Education credits
	x	x	Adoption credits
		x	Foreign tax credits
		x	Other business credits
		x	Credit for prior year minimum tax
		x	Earned income credit
x	x	x	Credit for federal tax on fuels

NOTE: Make an overhead transaprency of this chart and share it with the class. See Appendix C.

NOTES:

To take advantage of credits, a taxpayer must use Form 1040A or Form 1040. Figure 4 helps make this determination.

EQUIPMENT NEEDED:

Chalk board or flip chart
Chalk or 2 color markers
Overhead projector and transparencies

CLASS TO INCLUDE:

Introduction	10 minutes
Discussion & Activities	60 minutes
Quiz & Summary	20 minutes

Student's Guide
Becoming Taxwise
Lesson 3-B:
Form 1040A, Advanced

Introduction:

Form 1040A allows for various credits and deductions. It is important to understand these in order to reduce your tax liabilities.

During this lesson you will learn:

- the various adjustments to income.
- the deductible IRA and the difference between a regular IRA and tax deferred IRA.
- the Modified Adjusted Gross Income.
- child care deductions.
- Earned Income Tax Credit.

Figure 4
Tax Credits and Tax Forms

1040EZ	1040A	1040	
	x	x	Credit for child and dependent care
	x	x	Credit for the elderly or the disabled
	x	x	Child tax credit
	x	x	Education credits
	x	x	Adoption credits
		x	Foreign tax credits
		x	Other business credits
		x	Credit for prior year minimum tax
		x	Earned income credit
x	x	x	Credit for federal tax on fuels

Terminology

Adjustments to income - In this section, you subtract adjustments to income from total income. The result is adjusted gross income.

IRA - Individual Retirement Arrangement. An IRA is a tax-favored financial investment that helps people provide for retirement. The maximum amount for a year's fully deductible IRA contribution is $2,000.

PUBLICATIONS:

503	*Child and Dependent Care Expenses*
590	*Individual Retirement Arrangements (IRAs)*
596	*Earned Income Credit (EIC)*

TELE-TAX TOPICS: ☎

251	*Form 1040PC Tax Return*
252	*Electronic Filing*
601	*Earned Income Tax Credit*
603	*Credit for the Elderly or the Disabled*

DEDUCTIBLE IRA

Contributions to an IRA account can be made any time prior to the tax return filing deadline. For a 1999 tax return, IRA contributions can be made through the filing deadline of April 17, 2000.

Figure 5
Deductible IRA Contribution When Taxpayer or Spouse Has Employer-Provided Retirement Program - 1999

Filing Status	Modified AGI Phaseout Range
Single, head of household, or married filing separately (and did not live with spouse in 1999)	At least $31,000 but less than $41,000
Married filing jointly or qualifying widow(er)	At least $51,000 but less than $61,000
Married filing separately (and lived with spouse in 1999)	At least 0 but less than $10,000

NOTE: Make an overhead transparency to share with the class. A copy can be found in Appendix C.

NONDEDUCTIBLE IRA

Roth IRA

Those with AGI under $100,000 can roll over a non-Roth IRA into a Roth IRA. They will have to pay tax as though they had withdrawn the funds, but there is no early withdrawal penalty. Married couples filing separate returns cannot roll IRA's over into a Roth IRA.

Education IRA

Contributions to an education IRA are not deductible and may be limited by the contributor's adjusted gross income. Distributions from this IRA are tax free if not in excess of qualified education expenses.

Discussion Points

- If modified AGI is $31,000 or more, no deductible IRA contribution is allowed for the year. With modified AGI between $31,000 and $41,000, the maximum deductible IRA deduction is proportionately reduced.
- If both spouses work and have IRAs, each spouse must figure the deduction separately. The total deduction on a joint return can be as much as $4,000.
- In addition to IRAs, many employees have another opportunity to save for retirement with employer-sponsored 401(k) plans. Unlike the IRA, participation in a 401(k) plan does not require an entry on a tax return.

DEDUCTIBLE IRA

While yearly IRA contributions are commonly referred to as tax deductible, a more accurate description is "tax-deferred." You will eventually pay tax on your deductible contribution to an IRA and on the earnings (usually interest and dividends) on your IRA. But you usually do not owe any tax until the funds are distributed to you. Your advantage is that a "nest egg" for retirement can grow with contributions and earnings free of taxation. Earnings from an IRA are tax-deferred. IRAs are one of the most important provisions you can take advantage of in personal and financial planning.

There are the additional limitations on the deductions for IRA contributions. You may be able to deduct up to $2,000 for an IRA contribution if you had at least $2,000 of employee compensation. If, for example, you made $500, you may contribute and deduct up to $500 for an IRA contribution. The deduction may be reduced if you or your spouse is covered by an employer's retirement plan. If either is covered by a retirement plan at work, a fully deductible IRA contribution of $2,000 is permitted only if modified adjusted gross income is less than a certain amount.

NONDEDUCTIBLE IRA

Roth IRA

The "Roth IRA" features nondeductible contributions, with tax-free distributions if they begin at least five years after the initial contribution and the taxpayer is at least age 59-1/2, or disabled, or a beneficiary, or the proceeds are used for a first-time home purchase.

Annual contributions to Roth IRAs are deductible and are limited to a total of $2,000. If your income is between $95,000 and $110,000 ($150,000 to $160,000 on a joint return), your contribution to a Roth IRA may be limited. Consult *Publication 590, Individual Retirement Arrangements (IRAs).*

Education IRA

Beginning in 1998 any individual can contribute up to $500 each year to a child's Education IRA. The child must be under age 18 and total contributions for the child during the year cannot exceed $500.

NOTES:

Line 26—Credit for Child and Dependent Care Expenses

You do not take the child or dependent care credit for the full amount of care expenses. The credit is a certain percentage of your expenses based on adjusted gross income and the number of dependents cared for.

Figure 6
Percentage for Child and Dependent Care Credit

If AGI is	But not over	Credit is
$0	$10,000	30%
$10,000	$12,000	29%
$12,000	$14,000	28%
$14,000	$16,000	27%
$16,000	$18,000	26%
$18,000	$20,000	25%
$20,000	$22,000	24%
$22,000	$24,000	23%
$24,000	$26,000	22%
$26,000	$28,000	21%
$28,000	No limit	20%

NOTE: Make an overhead transparency to share with the class. A copy can be found in Appendix C.

Other limits apply to the child care credit computation. These limits are:

1. Child care expenses eligible for the credit can be no more than $2,400 when one person is cared for.
2. Child care expenses eligible for the credit can be no more than $4,800 when two or more persons are cared for.
3. A single taxpayer's child care expenses eligible for the credit can be no more than the taxpayer's earned income.
4. On a joint tax return, child care expenses eligible for the credit can be no more than the earned income of the spouse with the lower earned income.

To determine the amount of your credit to enter on Line 26, you must complete and attach *Schedule 2, Child and Dependent Care Expenses* for Form 1040A filers.

NOTES:

Line 26—Credit for Child and Dependent Care Expenses

You may be able to take a tax credit based on amounts paid for the care of children, a disabled spouse, or disabled dependent. If the care is for a child, the child must be under the age of 13 and usually must be your dependent.

If the care is for an adult dependent or spouse, the person cared for must be physically or mentally incapable of self-care. Since more taxpayers take the credit for child care, the credit will be referred to below as the child care credit.

When claiming the child care credit, it is very important to show the Social Security number of your dependents on the front page of Form 1040A.

Generally, to qualify for the credit, you must have:

1. incurred the care expenses in order to work (or look for work),
2. earned income for work performed during the year,
3. maintained a home that is also the home of the qualifying person,
4. a filing status of single, head of household, qualifying widow(er) with dependent child, or married filing jointly,
5. made the care payments to someone who is not your own dependent. If you make payments to your child, he or she must not be under age 19, and cannot be your dependent.

You do not take the child or dependent care credit for the full amount of care expenses. The credit is a certain percentage of your expenses based on adjusted gross income and the number of dependents cared for.

NOTES:

Line 27—Credit for the Elderly or the Disabled

The maximum amount of the credit is $1,125. In general, for a single, head of household, or qualifying widow(er) tax return, adjusted gross income can be no more than $17,500 and nontaxable Social Security benefits and other nontaxable pensions must be less than $5,000 to receive this credit. The corresponding limits are $25,000 and $7,500 for married filing joint return when both spouses are eligible. There are exceptions to these limitations. To claim this tax credit, a taxpayer must complete *Schedule 3, Credit for the Elderly or the Disabled* for Form 1040A filers.

Line 30—Adoption Credit

Special rules apply for foreign adoptions and adoptions of children with special needs, and the credit and exclusion are phased out beginning at modified adjusted gross income levels over $75,000. It is fully phased out at $115,000 of AGI.

Qualified adoption expenses do not include expenses for a child who is not a citizen or resident of the United States unless the adoption is finalized. Any expense paid or incurred before the tax year in which a foreign adoption becomes final is treated as if it were paid or incurred in the year the adoption becomes final. Taxpayers may not claim the credit to obtain a double benefit for adoption expense.

If you are in the process of adopting a child who is a U.S. citizen or resident and cannot get a Social Security Number (SSN) for the child until the adoption is final, you can apply for an adoption taxpayer identification number, ATIN, to use instead of an Social Security Number (SSN) by filing Form W-7A. To claim the credit, a taxpayer must file *Form 8839, Qualified Adoption Expenses.*

Discussion Points

- No credit is allowed for any expense that another deduction or credit is allowed.
- No credit is allowed for any expense to the extent the taxpayers receive funds under any federal, state, or local program.
- Generally, married couples must file a joint return to take the credit and they must provide the child's name, age and taxpayer identification number, if known, on their return.

Line 27—Credit for the Elderly or the Disabled

To qualify as elderly for this credit, a taxpayer must be age 65 or older. To qualify as disabled, the taxpayer under age 65 must be retired due to a total and permanent disability and must have had taxable disability income in 1999. This provision is designed to provide tax relief to the elderly and disabled with moderate incomes.

Line 30—Adoption Credit

You may take a nonrefundable tax credit of up to $5,000 of qualified adoption expenses per child ($6,000 in the case of a child with special needs). Qualified adoption expenses include adoption fees, court costs, attorney fees and other expenses related to legal adoption of an eligible child. An "eligible child" (for adoption purposes) is an individual who has not attained the age of 18 at the time of the adoption or who is physically or mentally incapable of caring for himself or herself.

Employees are entitled to exclude from income up to $5,000 of adoption expenses per adopted child ($6,000 in the case of a child with special needs) where such amounts are paid or incurred by their employers under a qualified adoption assistance program.

NOTES:

Line 31—Credit Summary

Note that the form states that the amount on Line 32 ***cannot be less than zero.*** The credits of Lines 26 through 31 can reduce your taxes to zero. We will see below on Lines 37a and 38 that other tax credits, the earned income tax credit, and additional child credit, can result in a negative tax obligation.

Line 33—Advance Earned Income Tax Credit Payments

The advance payment of the Earned Income Tax Credit will be discussed on the next page.

Earned Income Tax Credit Advance Payment Certificate

It is possible to receive the Earned Income Tax Credit before filing a tax return. An estimate of your Earned Income Tax Credit can be paid to you throughout the year by your employer. To have this done, complete *Form W-5, Earned Income Tax Credit Certificate*, and provide the form to your employer. A portion of your Earned Income Tax Credit will be included in your paychecks. The amount of credit you receive during the year will be reported to you in Box 9 of the W-2 form from your employer. A person with no children cannot get advance payments.

Line 35—Total Federal Income Tax Withheld

Do not treat Boxes 4 and 6 of Form W-2 as income tax withheld. These are employment taxes to support the Social Security and Medicare programs. These payroll taxes support insurance programs operated by the federal government.

Line 36—Estimated Tax Payments

The estimated tax procedures involve quarterly payments to the IRS.

NOTES:

Line 31—Credit Summary

On Line 31 you simply add together the amount of the credits. For Line 32, the total amount of these credits is subtracted from the amount of your tax on Line 25.

Line 33—Advance Earned Income Tax Credit Payments

Advance Earned Income Tax Credit payments are related to the earned income tax credit of Line 37a.

Line 35—Total Federal Income Tax Withheld

Generally, employees have federal income tax withheld from their wages, salaries, and tips. On Form W-2, received from your employer, federal income tax withheld is shown in Box 2. For joint returns add the Box 2 amounts from both spouses' W-2 forms and enter the total. Be careful to use the Box 2 amounts only.

Line 36—Estimated Tax Payments

Along with employer withholding, estimated tax is a way to make tax payments through the year for income, such as interest and dividends, that is not subject to withholding.

NOTES:

Line 37a—Earned Income Tax Credit (EITC)

To take the Earned Income Tax Credit you:

1. must have your main residence within the United States for more than half the year,
2. and your spouse must be at least 25 but under age 65,
3. and your spouse cannot be a dependent of another taxpayer.

As its name implies, the Earned Income Tax Credit is based on the amount of your earned income. Earned income includes wages, salaries, tips, and profit from your own business.

The Earned Income Tax Credit has different provisions for taxpayers with no children, one child, and two or more qualifying children. For each of these, the amount of the credit increases up to a point as earned income increases. Then there is an income range where the credit remains at its maximum level. Figure 7 provides a summary for the maximum Earned Income Tax Credit.

Figure 7
Earned Income Tax Credit

	No children	One child	Two or more children
Maximum credit	$347	$2,312	$3,816

The amount of your advance Earned Income Tax Credit must be entered on Line 33. The effect of the entry on Line 33 is to "give back" your advance Earned Income Tax Credit. The amount of your advance payment of the Earned Income Tax Credit is added to your taxes on Line 34. The amount of your actual Earned Income Tax Credit on Line 37a is subtracted from your taxes.

Line 38—Additional Child Credit

For more information on this credit, consult the 1040 instructions.

Discussion Points

- For purposes of the Earned Income Tax Credit, if you are in the U.S. military on extended active duty outside the United States, you are considered to live in the United States during that duty period. Therefore, you may be able to claim the Earned Income Tax Credit if you meet all the other rules.
- Amounts prisoners receive for their work while inmates at a penal institution do not qualify for the Earned Income Tax Credit.
- Earned income does not include interest, dividends, Social Security payments, welfare benefits, nondisability pensions, veterans' benefits, taxable scholarships or fellowships not reported on Form W-2, workers' compensation, unemployment compensation, etc.

Line 37a—Earned Income Tax Credit (EITC)

The Earned Income Tax Credit is a refundable credit. That is, it is treated like a tax payment, such as income tax withheld. If you qualify for an Earned Income Tax Credit, you may receive a refund even if you did not pay any tax or did not have any tax withheld.

The purpose of the Earned Income Tax Credit is similar to the credit for the elderly or the disabled. These credits are aimed at providing financial relief for people with low and moderate incomes. For the Earned Income Tax Credit, the tax benefit is for taxpayers who are employed--but have relatively low income.

The Earned Income Tax Credit, claimed by filing Schedule EIC, can be as much as $3,816 for taxpayers with two or more qualifying children, $2,312 with one qualifying child, and $347 with no qualifying children.

Figure 7
Earned Income Tax Credit

	No children	One child	Two or more children
Maximum credit	$347	$2,312	$3,816

Line 38—Additional Child Credit

To claim an additional credit for three or more children, the taxpayer must complete Form 8812.

NOTES:

Answers to Activities:

NOTES:

Discuss the following situations with the class.

Case 1

Sally Chen has earned income and adjusted gross income of $17,000. She files as head of household because her mother, Pauline, is dependent on Sally and lives with her.

Answer: Sally cannot claim the Earned Income Tax Credit. The dependent living in the home must be a child. She cannot claim the Earned Income Tax Credit for a person with no qualifying children because her adjusted gross income (AGI) is more than $10,030.

Case 2

Dawn Simington has earned income of $15,000 and AGI of $15,000. Her filing status is head of household. One child lives with her eleven months of the year and she claims the child as a dependent.

Answer: Dawn is eligible for the Earned Income Tax Credit.

Case 3

Amanda Martin is single and has a ten-year-old son, Toby. Amanda can claim Toby as a dependent. Toby lives with his mother eleven months out of the year. Her income is low enough to qualify for an Earned Income Tax Credit and she did not receive an advance payment of the Earned Income Tax Credit. What is Amanda's tax refund or amount of tax overpaid?

Answer: Amanda, with head of household filing status, has overpaid her income tax and qualifies for a refund of $3,340.

If Amanda expects about the same income the following year and wants to reduce the amount of tax overpaid, she can do two things. She can file a new Form W-4 with her employer to reduce the amount of tax withheld. She can also file a W-5 with her employer to arrange advance payment of her Earned Income Tax Credit.

The information provided on Social Security and Medicare tax withheld is not relevant for Amanda's income tax return.

Activities:

Case 1
Sally Chen has earned income and adjusted gross income of $17,000. She files as head of household because her mother, Pauline, is dependent on Sally and lives with her. Can Sally claim the Earned Income Tax Credit?

Case 2
Dawn Simington has earned income of $15,000 and AGI of $15,000. Her filing status is head of household. One child lives with her eleven months of the year and she claims the child as a dependent. Is Dawn eligible for the Earned Income Tax Credit?

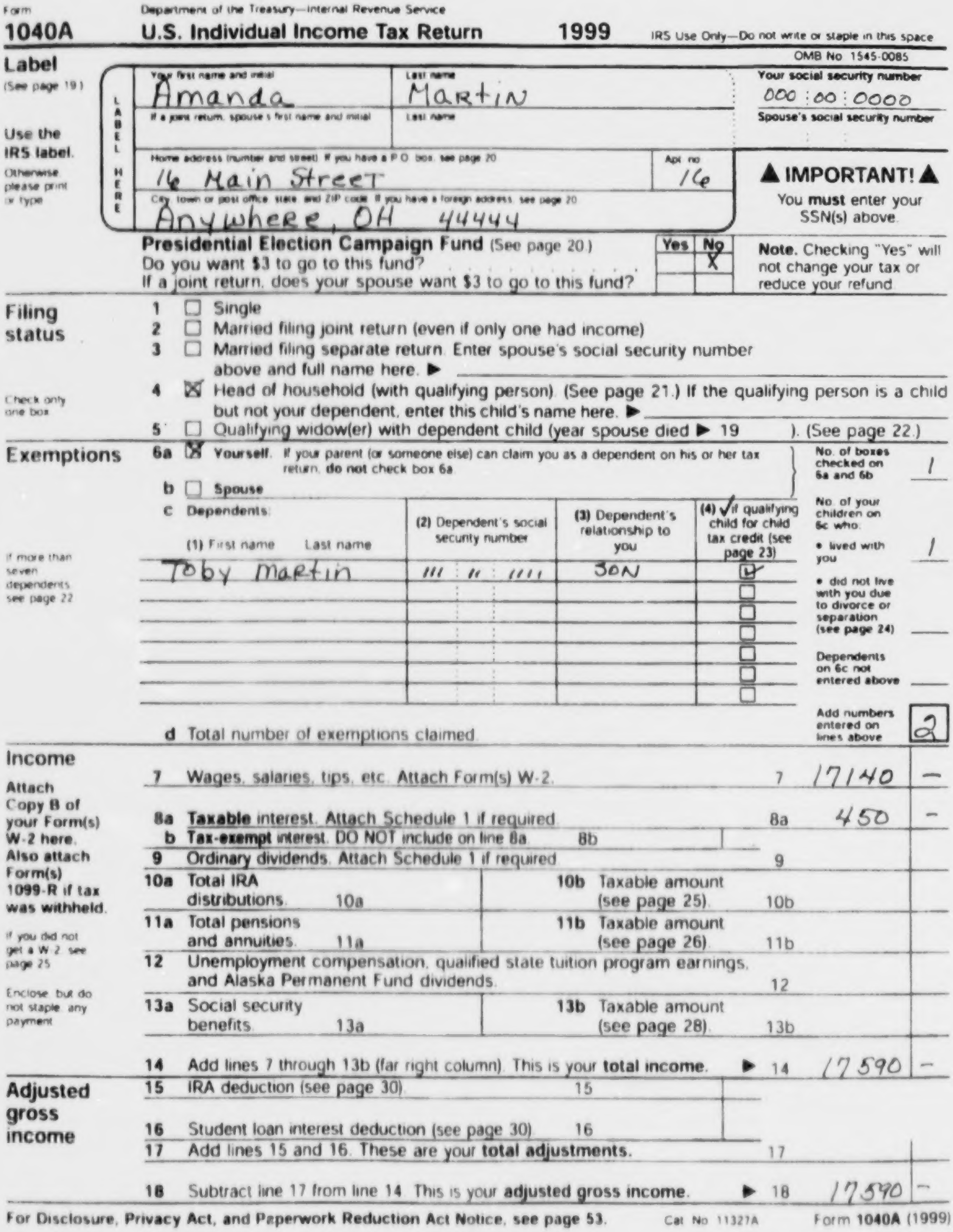
Case 3
Amanda Martin is single and has a 10-year-old son, Toby. Amanda can claim Toby as a dependent. Toby lives with his mother eleven months out of the year. Her income is low enough to qualify for an Earned Income Tax Credit and shedid not receive an advance payment of the Earned Income Tax Credit. The following is Amanda's basic tax information.

Salary from one employer	$17,140
Federal income tax withheld	2,090
Social Security and Medicare tax withheld	1,311
Taxable interest (from Schedule 1)	450
Child care credit (from Schedule 2)	182
Earned Income Tax Credit (from Schedule EIC)	1 ,422
Child Tax Credit	500

Using the two basic pages of Form 1040A, determine the amount of Amanda's tax refund or amount of tax overpaid.

NOTES:

Sample Form 1040-A, Page 1



Form **1040A** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1999** IRS Use Only—Do not write or staple in this space
OMB No. 1545-0085

Label (See page 19.)
Use the IRS label. Otherwise, please print or type
LABEL HERE

Your first name and initial: Amanda
Last name: Martin
Your social security number: 000 : 00 : 0000
If a joint return, spouse's first name and initial
Last name
Spouse's social security number
Home address (number and street). If you have a P.O. box, see page 20: 16 Main Street
Apt. no.: 16
City, town or post office, state, and ZIP code. If you have a foreign address, see page 20: Anywhere, OH 44444

▲ IMPORTANT! ▲
You **must** enter your SSN(s) above.

Presidential Election Campaign Fund (See page 20.)

	Yes	No
Do you want $3 to go to this fund?		X
If a joint return, does your spouse want $3 to go to this fund?		

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing status
Check only one box

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and full name here. ▶
4 ☒ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 22.)

Exemptions

6a ☒ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a
b ☐ **Spouse**

No. of boxes checked on 6a and 6b: 1

c **Dependents:**

If more than seven dependents, see page 22

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 23)
Toby Martin	111 11 1111	SON	☑
			☐
			☐
			☐
			☐
			☐
			☐

No. of your children on 6c who:
• lived with you: 1
• did not live with you due to divorce or separation (see page 24):
Dependents on 6c not entered above:
Add numbers entered on lines above: 2

d Total number of exemptions claimed.

Income

Attach Copy B of your Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.
If you did not get a W-2, see page 25.
Enclose, but do not staple, any payment.

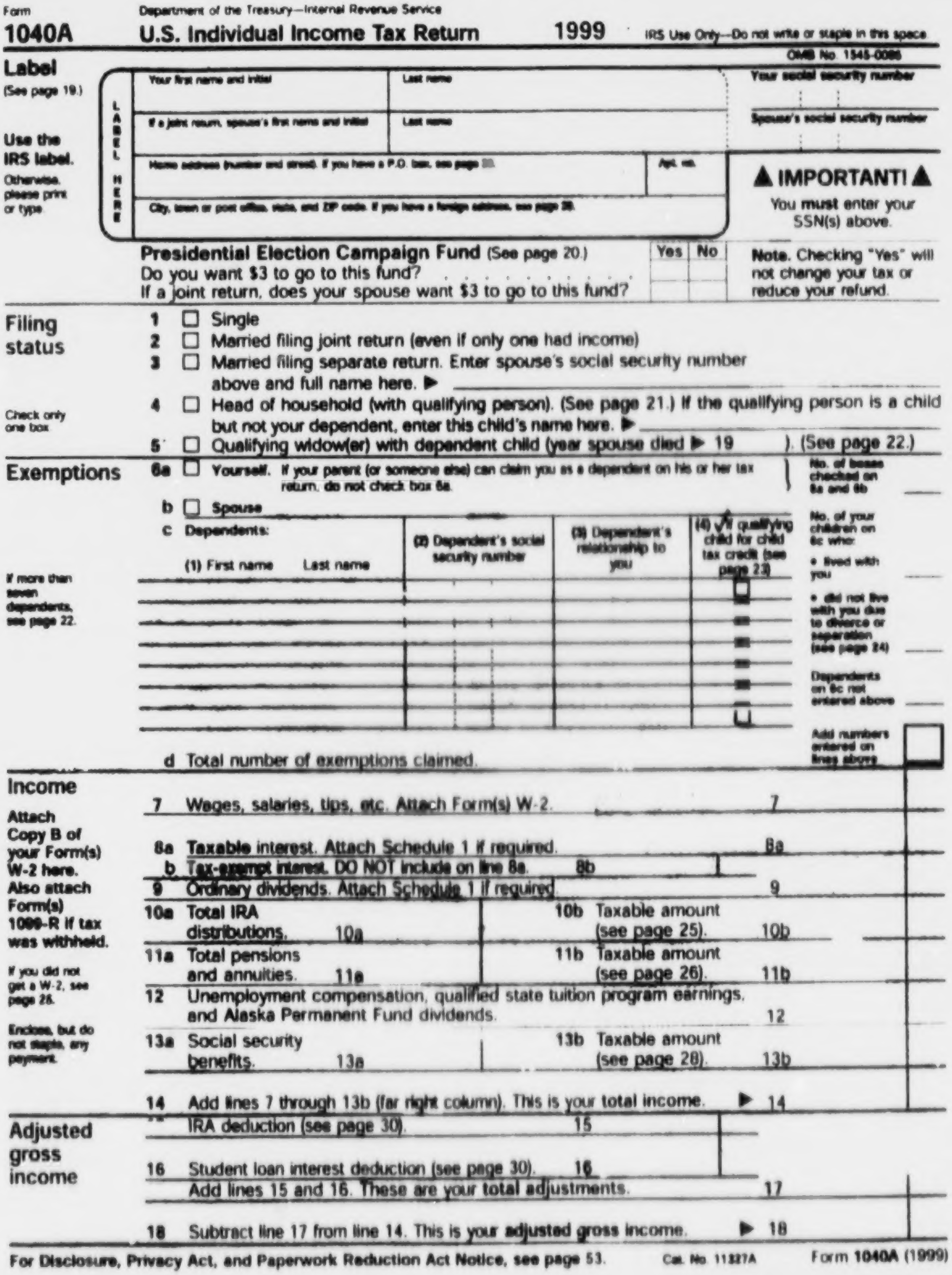
7	Wages, salaries, tips, etc. Attach Form(s) W-2.	7	17140 —
8a	**Taxable** interest. Attach Schedule 1 if required.	8a	450 —
b	**Tax-exempt** interest. DO NOT include on line 8a. 8b		
9	Ordinary dividends. Attach Schedule 1 if required.	9	
10a	Total IRA distributions. 10a — 10b Taxable amount (see page 25).	10b	
11a	Total pensions and annuities. 11a — 11b Taxable amount (see page 26).	11b	
12	Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends.	12	
13a	Social security benefits. 13a — 13b Taxable amount (see page 28).	13b	
14	Add lines 7 through 13b (far right column). This is your **total income.** ▶	14	17590 —

Adjusted gross income

15	IRA deduction (see page 30). 15		
16	Student loan interest deduction (see page 30). 16		
17	Add lines 15 and 16. These are your **total adjustments.**	17	
18	Subtract line 17 from line 14. This is your **adjusted gross income.** ▶	18	17590 —

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 53. Cat. No. 11327A Form **1040A** (1999)

Sample Form 1040-A, Page 1



Form **1040A** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return 1999 IRS Use Only—Do not write or staple in this space.

OMB No. 1545-0085

Label (See page 19.)

Use the IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial | Last name

If a joint return, spouse's first name and initial | Last name

Home address (number and street). If you have a P.O. box, see page 20. | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 20.

Your social security number

Spouse's social security number

▲ IMPORTANT! ▲ You **must** enter your SSN(s) above.

Presidential Election Campaign Fund (See page 20.)

	Yes	No
Do you want $3 to go to this fund?		
If a joint return, does your spouse want $3 to go to this fund?		

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing status

Check only one box

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and full name here. ▶ ____
4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ ____
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 22.)

Exemptions

6a ☐ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a.

b ☐ **Spouse**

No. of boxes checked on 6a and 6b ____

c **Dependents:**

If more than seven dependents, see page 22.

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) √ if qualifying child for child tax credit (see page 23)
			☐
			☐
			☐
			☐
			☐
			☐
			☐

No. of your children on 6c who:
- lived with you ____
- did not live with you due to divorce or separation (see page 24) ____

Dependents on 6c not entered above ____

Add numbers entered on lines above ☐

d Total number of exemptions claimed.

Income

Attach Copy B of your Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 26.

Enclose, but do not staple, any payment.

7 Wages, salaries, tips, etc. Attach Form(s) W-2. 7
8a Taxable interest. Attach Schedule 1 if required. 8a
b Tax-exempt interest. DO NOT include on line 8a. 8b
9 Ordinary dividends. Attach Schedule 1 if required. 9
10a Total IRA distributions. 10a | 10b Taxable amount (see page 25). 10b
11a Total pensions and annuities. 11a | 11b Taxable amount (see page 26). 11b
12 Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends. 12
13a Social security benefits. 13a | 13b Taxable amount (see page 28). 13b
14 Add lines 7 through 13b (far right column). This is your total income. ▶ 14

Adjusted gross income

15 IRA deduction (see page 30). 15
16 Student loan interest deduction (see page 30). 16
17 Add lines 15 and 16. These are your total adjustments. 17
18 Subtract line 17 from line 14. This is your adjusted gross income. ▶ 18

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 53. Cat. No. 11327A Form **1040A** (1999)

Sample Form 1040-A, Page 2

Form 1040A (1999) Amanda Martin Page 2

Taxable income	19	Enter the amount from line 18.				19	17590	–
	20a	Check if: ☐ **You** were 65 or older ☐ Blind; ☐ **Spouse** was 65 or older ☐ Blind. **Enter number of boxes checked** ▶				20a	☐	
	b	If you are married filing separately and your spouse itemizes deductions, see page 32 and check here . . . . ▶				20b	☐	
	21	Enter the **standard deduction** for your filing status. **But** see page 33 if you checked any box on line 20a or 20b **OR** if someone can claim you as a dependent. • Single—$4,300 • Married filing jointly or Qualifying widow(er)—$7,200 • Head of household—$6,350 • Married filing separately—$3,600				21	6350	–
	22	Subtract line 21 from line 19. If line 21 is more than line 19, enter -0-.				22	11240	–
	23	Multiply $2,750 by the total number of exemptions claimed on line 6d.				23	5500	–
	24	Subtract line 23 from line 22. If line 23 is more than line 22, enter -0-. This is your **taxable income.** ▶				24	5740	–
Tax, credits, and payments	25	Find the tax on the amount on line 24 (see page 34).				25	859	–
	26	Credit for child and dependent care expenses. Attach Schedule 2.	26	182	–			
	27	Credit for the elderly or the disabled. Attach Schedule 3.	27					
	28	Child tax credit (see page 35).	28	500	–			
	29	Education credits. Attach Form 8863.	29					
	30	Adoption credit. Attach Form 8839.	30					
	31	Add lines 26 through 30. These are your **total credits.**				31	682	–
	32	Subtract line 31 from line 25. If line 31 is more than line 25, enter -0-.				32	177	–
	33	Advance earned income credit payments from Form(s) W-2.				33		
	34	Add lines 32 and 33. This is your **total tax.** ▶				34	177	–
	35	Total Federal income tax withheld from Forms W-2 and 1099.	35	2090	–			
	36	1999 estimated tax payments and amount applied from 1998 return.	36					
	37a	**Earned income credit.** Attach Schedule EIC if you have a qualifying child.	37a	1422	–			
	b	Nontaxable earned income: amount ▶ and type ▶						
	38	Additional child tax credit. Attach Form 8812.	38					
	39	Add lines 35, 36, 37a, and 38. These are your **total payments.** ▶				39	3512	–
Refund Have it directly deposited! See page 47 and fill in 41b, 41c, and 41d.	40	If line 39 is more than line 34, subtract line 34 from line 39. This is the amount you **overpaid.**				40	3340	–
	41a	Amount of line 40 you want **refunded to you.**				41a	3340	–
	▶ b	Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings						
	▶ d	Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐						
	42	Amount of line 40 you want **applied to your 2000 estimated tax.**	42					
Amount you owe	43	If line 34 is more than line 39, subtract line 39 from line 34. This is the **amount you owe.** For details on how to pay, see page 48.				43		
	44	Estimated tax penalty (see page 48).	44					

Sign here

Joint return? See page 20

Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature Amanda Martin	Date 3/10/00	Your occupation Clerk	Daytime telephone number (optional) (440) 555-5555
Spouse's signature. If joint return, BOTH must sign.	Date	Spouse's occupation	[redacted]

Paid preparer's use only

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶			EIN
			ZIP code

Form **1040A** (1999)

Sample Form 1040-A, Page 2

Form 1040A (1999) Page 2

Taxable income	19	Enter the amount from line 18.		19
	20a	Check if: ☐ You were 65 or older ☐ Blind ☐ Spouse was 65 or older ☐ Blind **Enter number of boxes checked** ▶ 20a ☐		
	b	If you are married filing separately and your spouse itemizes deductions, see page 32 and check here . . . . ▶ 20b ☐		
	21	Enter the **standard deduction** for your filing status. **But** see page 33 if you checked any box on line 20a or 20b **OR** if someone can claim you as a dependent. • Single—$4,300 • Married filing jointly or Qualifying widow(er)—$7,200 • Head of household—$6,350 • Married filing separately—$3,600		21
	22	Subtract line 21 from line 19. If line 21 is more than line 19, enter -0-.		22
	23	Multiply $2,750 by the total number of exemptions claimed on line 6d.		23
	24	Subtract line 23 from line 22. If line 23 is more than line 22, enter -0-. This is your **taxable income.** ▶		24
Tax, credits, and payments	25	Find the tax on the amount on line 24 (see page 34).		25
	26	Credit for child and dependent care expenses. Attach Schedule 2.	26	
	27	Credit for the elderly or the disabled. Attach Schedule 3.	27	
	28	Child tax credit (see page 35).	28	
	29	Education credits. Attach Form 8863.	29	
	30	Adoption credit. Attach Form 8839.	30	
	31	Add lines 26 through 30. **These are your total credits.**		31
	32	Subtract line 31 from line 25. If line 31 is more than line 25, enter -0-.		32
	33	Advance earned income credit payments from Form(s) W-2.		33
	34	Add lines 32 and 33. This is your **total tax.** ▶		34
	35	Total Federal income tax withheld from Forms W-2 and 1099.	35	
	36	1999 estimated tax payments and amount applied from 1998 return.	36	
	37a	**Earned income credit.** Attach Schedule EIC if you have a qualifying child.	37a	
	b	Nontaxable earned income: amount ▶ and type ▶		
	38	Additional child tax credit. Attach Form 8812.	38	
	39	Add lines 35, 36, 37a, and 38. **These are your total payments.** ▶		39
Refund Have it directly deposited! See page 47 and fill in 41b, 41c, and 41d.	40	If line 39 is more than line 34, subtract line 34 from line 39. This is the amount you **overpaid.**		40
	41a	Amount of line 40 you want **refunded to you.**		41a
	▶ b	Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings		
	▶ d	Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐		
	42	Amount of line 40 you want applied to your **2000 estimated tax.**	42	
Amount you owe	43	If line 34 is more than line 39, subtract line 39 from line 34. This is the **amount you owe.** For details on how to pay, see page 48.		43
	44	Estimated tax penalty (see page 48).	44	

Sign here

Joint return? See page 20. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

▶ Your signature	Date	Your occupation	Daytime telephone number (optional) ( )
Spouse's signature. If joint return, BOTH must sign.	Date	Spouse's occupation	[redacted]

Paid preparer's use only

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶			EIN : ZIP code

Form 1040A (1999)

Case 4

Fred Stiles is married and has two children, Katherine and Joshua (ages 18 and 19). His wife Sarah does not work outside the home. He did not receive advance payments for the Earned Income Tax Credit. Complete Form 1040A for them.

> *Answer: Fred and Sara Stiles have overpaid and will receive a refund of $3,816*
>
> *If Mr. and Mrs. Stiles expect about the same income the following year, they can do two things to reduce the amount of their refund. Fred can file a new Form W-4 with his employer to reduce the amount of tax withheld. He can also file a Form W-5 to arrange advance payment of the Earned Income Tax Credit throughout the year.*
>
> *The information on Social Security and Medicare tax withheld is not relevant for the Stiles' tax return.*

NOTES:

Case 4

Fred Stiles is married and has two children, Katherine and Joshua (ages 18 and 19). His wife Sarah does not work outside the home. He did not receive advance payments for the Earned Income Tax Credit. The basic tax information for the Stiles family is the following:

Salary from one employer	$10,200
Federal income tax withheld	300
Social Security and Medicare tax withheld	780
Taxable interest	200
Earned Income Tax Credit (from Schedule EIC)	???

Using the two basic pages of Form 1040A, determine the amount of the Earned Income Tax Credit and the amount of tax refund or amount of tax overpaid for the Stiles' tax return.

NOTES:

Sample Form 1040A, Page 1

Form **1040A** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **1999** IRS Use Only—Do not write or staple in this space

OMB No. 1545-0085

Label (See page 19.)

Use the IRS label. Otherwise, please print or type

LABEL HERE

Your first name and initial: FRED — Last name: STILES

If a joint return, spouse's first name and initial: SARAH — Last name: STILES

Home address (number and street). If you have a P.O. box, see page 20: 666 South Ave — Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 20: HappytowN, MI 67020

▲ **IMPORTANT!** ▲ You **must** enter your SSN(s) above.

Presidential Election Campaign Fund (See page 20.)

	Yes	No
Do you want $3 to go to this fund?	X	
If a joint return, does your spouse want $3 to go to this fund?	X	

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing status (Check only one box)

1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 22.)

Exemptions

6a ☒ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a.
b ☒ **Spouse**

No. of boxes checked on 6a and 6b: 2

c **Dependents:** (If more than seven dependents, see page 22.)

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 23)
Katherine Stiles	111 02 2233	daughter	☑
Joshua Stiles	112 03 4444	Son	☐
			☐
			☐
			☐
			☐

No. of your children on 6c who:
- lived with you: 2
- did not live with you due to divorce or separation (see page 24):
- Dependents on 6c not entered above:

d **Total number of exemptions** claimed. — Add numbers entered on lines above: 4

Income

Attach Copy B of your Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 25.

Enclose, but do not staple, any payment.

7	Wages, salaries, tips, etc. Attach Form(s) W-2.	7 10,200
8a	**Taxable** interest. Attach Schedule 1 if required.	8a 200
b	**Tax-exempt** interest. DO NOT include on line 8a. 8b	
9	Ordinary dividends. Attach Schedule 1 if required.	9
10a	Total IRA distributions. 10a — 10b Taxable amount (see page 25).	10b
11a	Total pensions and annuities. 11a — 11b Taxable amount (see page 26).	11b
12	Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends.	12
13a	Social security benefits. 13a — 13b Taxable amount (see page 28).	13b
14	Add lines 7 through 13b (far right column). This is your **total income.** ▶	14 10,400

Adjusted gross income

15	IRA deduction (see page 30). 15	
16	Student loan interest deduction (see page 30). 16	
17	Add lines 15 and 16. These are your **total adjustments.**	17
18	Subtract line 17 from line 14. This is your **adjusted gross income.** ▶	18 10,400 —

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 53. Cat. No. 11327A

Sample Form 1040A, Page 1

Form **1040A** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return **1999** IRS Use Only—Do not write or staple in this space.

OMB No. 1545-0085

Label (See page 19.)

Use the IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial | Last name | Your social security number

If a joint return, spouse's first name and initial | Last name | Spouse's social security number

Home address (number and street). If you have a P.O. box, see page 20. | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 20.

▲ IMPORTANT! ▲ You **must** enter your SSN(s) above.

Presidential Election Campaign Fund (See page 20.)

	Yes	No
Do you want $3 to go to this fund?	☐	☐
If a joint return, does your spouse want $3 to go to this fund?	☐	☐

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing status

Check only one box

1 ☐ Single

2 ☐ Married filing joint return (even if only one had income)

3 ☐ Married filing separate return. Enter spouse's social security number above and full name here. ▶ ____________

4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ ____________

5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 22.)

Exemptions

6a ☐ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a.

b ☐ **Spouse**

No. of boxes checked on 6a and 6b ____

c **Dependents:**

If more than seven dependents, see page 22.

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) √ if qualifying child for child tax credit (see page 23)
			☐
			☐
			☐
			☐
			☐
			☐
			☐

No. of your children on 6c who:
- lived with you ____
- did not live with you due to divorce or separation (see page 24) ____

Dependents on 6c not entered above ____

d Total number of exemptions claimed.

Add numbers entered on lines above ☐

Income

Attach Copy B of your Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 25.

Enclose, but do not staple, any payment.

7 Wages, salaries, tips, etc. Attach Form(s) W-2. 7

8a Taxable interest. Attach Schedule 1 if required. 8a

b Tax-exempt interest. DO NOT include on line 8a. 8b

9 Ordinary dividends. Attach Schedule 1 if required. 9

10a Total IRA distributions. 10a | 10b Taxable amount (see page 25). 10b

11a Total pensions and annuities. 11a | 11b Taxable amount (see page 26). 11b

12 Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends. 12

13a Social security benefits. 13a | 13b Taxable amount (see page 28). 13b

14 Add lines 7 through 13b (far right column). This is your total income. ▶ 14

Adjusted gross income

15 IRA deduction (see page 30). 15

16 Student loan interest deduction (see page 30). 16

17 Add lines 15 and 16. These are your total adjustments. 17

18 Subtract line 17 from line 14. This is your adjusted gross income. ▶ 18

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 53. Cat. No. 11327A Form **1040A** (1999)

Sample Form 1040A, Page 2

Form 1040A (1999) Stiles Page 2

Taxable income	19	Enter the amount from line 18.	19	10400 –
	20a	Check if: ☐ You were 65 or older ☐ Blind / ☐ Spouse was 65 or older ☐ Blind } Enter number of boxes checked ▶	20a	☐
	b	If you are married filing separately and your spouse itemizes deductions, see page 32 and check here . . . . ▶	20b	☐
	21	Enter the **standard deduction** for your filing status. But see page 33 if you checked any box on line 20a or 20b **OR** if someone can claim you as a dependent. • Single—$4,300 • Married filing jointly or Qualifying widow(er)—$7,200 • Head of household—$6,350 • Married filing separately—$3,600	21	7200 –
	22	Subtract line 21 from line 19. If line 21 is more than line 19, enter -0-.	22	3200 –
	23	Multiply $2,750 by the total number of exemptions claimed on line 6d.	23	11000
		Subtract line 23 from line 22. If line 23 is more than line 22, enter -0-. This is your **taxable income.** ▶	24	0
Tax, credits, and payments	25	Find the tax on the amount on line 24 (see page 34).	25	0
	26	Credit for child and dependent care expenses. Attach Schedule 2.	26	
	27	Credit for the elderly or the disabled. Attach Schedule 3.	27	
	28	Child tax credit (see page 35).		
		Education credits. Attach Form 8863.		
		Adoption credit. Attach Form 8839.		
		Add lines 26 through 30. These are your total credits.	31	
		Subtract line 31 from line 25. If line 31 is more than line 25, enter -0-.		
		Advance earned income credit payments from Form(s) W-2.		
		Add lines 32 and 33. This is your total tax.		0
		Total Federal income tax withheld from Forms W-2 and 1099.	35	300
	36	1999 estimated tax payments and amount applied from 1998 return.	36	
	37a	**Earned income credit.** Attach Schedule EIC if you have a qualifying child.	37a	3816
	b	Nontaxable earned income: amount ▶ and type ▶		
	38	Additional child tax credit. Attach Form 8812.	38	
	39	Add lines 35, 36, 37a, and 38. These are your **total payments.** ▶	39	3816 –
Refund	40	If line 39 is more than line 34, subtract line 34 from line 39. This is the amount you **overpaid.**	40	3816 –
Have it directly deposited! See page 47 and fill in 41b, 41c, and 41d.	41a	Amount of line 40 you want **refunded to you.**	41a	3816 –
	▶ b	Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings		
	▶ d	Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐		
	42	Amount of line 40 you want **applied to your 2000 estimated tax.**	42	
Amount you owe	43	If line 34 is more than line 39, subtract line 39 from line 34. This is the **amount you owe.** For details on how to pay, see page 48.	43	
	44	Estimated tax penalty (see page 48).	44	

Sign here

Joint return? See page 20. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

▶ Your signature Date 4/a/00 Your occupation Laborer Daytime telephone number (optional)

Spouse's signature If joint return, BOTH must sign. Date 4/a/00 Spouse's occupation Mother [redacted]

Paid preparer's use only

Preparer's signature ▶ Date Check if self-employed ☐ Preparer's SSN or PTIN

Firm's name (or yours if self-employed) and address ▶ EIN :

Form **1040A** (1999)

Sample Form 1040A, Page 2

Form 1040A (1999) Page 2

Taxable income

19 Enter the amount from line 18. 19

20a Check if: { ☐ You were 65 or older ☐ Blind } { ☐ Spouse was 65 or older ☐ Blind } **Enter number of boxes checked** ▶ 20a ☐

b If you are married filing separately and your spouse itemizes deductions, see page 32 and check here . . . . ▶ 20b ☐

21 Enter the **standard deduction** for your filing status. **But** see page 33 if you checked any box on line 20a or 20b **OR** if someone can claim you as a dependent.
- Single—$4,300
- Married filing jointly or Qualifying widow(er)—$7,200
- Head of household—$6,350
- Married filing separately—$3,600

21

22 Subtract line 21 from line 19. If line 21 is more than line 19, enter -0-. 22

23 Multiply $2,750 by the total number of exemptions claimed on line 6d. 23

24 Subtract line 23 from line 22. If line 23 is more than line 22, enter -0-. This is your **taxable income.** ▶ 24

Tax, credits, and payments

25 Find the tax on the amount on line 24 (see page 34). 25

26 Credit for child and dependent care expenses. Attach Schedule 2. 26

27 Credit for the elderly or the disabled. Attach Schedule 3. 27

28 Child tax credit (see page 35). 28

29 Education credits. Attach Form 8863. 29

30 Adoption credit. Attach Form 8839. 30

31 Add lines 26 through 30. **These are your total credits.** 31

32 Subtract line 31 from line 25. If line 31 is more than line 25, enter -0-. 32

33 Advance earned income credit payments from Form(s) W-2. 33

34 Add lines 32 and 33. This is your **total tax.** ▶ 34

35 Total Federal income tax withheld from Forms W-2 and 1099. 35

36 1999 estimated tax payments and amount applied from 1998 return. 36

37a **Earned income credit.** Attach Schedule EIC if you have a qualifying child. 37a

b Nontaxable earned income: amount ▶ and type ▶

38 Additional child tax credit. Attach Form 8812. 38

39 Add lines 35, 36, 37a, and 38. **These are your total payments.** ▶ 39

Refund

Have it directly deposited! See page 47 and fill in 41b, 41c, and 41d.

40 If line 39 is more than line 34, subtract line 34 from line 39. This is the amount you **overpaid.** 40

41a Amount of line 40 you want **refunded to you.** 41a

▶ b Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings

▶ d Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

42 Amount of line 40 you want applied to your **2000 estimated tax.** 42

Amount you owe

43 If line 34 is more than line 39, subtract line 39 from line 34. This is the **amount you owe.** For details on how to pay, see page 48. 43

44 Estimated tax penalty (see page 48). 44

Sign here

Joint return? See page 20. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature **Date** **Your occupation** **Daytime telephone number (optional)** ( )

Spouse's signature. If joint return, BOTH must sign. **Date** **Spouse's occupation** [redacted]

Paid preparer's use only

Preparer's signature ▶ **Date** **Check if self-employed** ☐ **Preparer's SSN or PTIN**

Firm's name (or yours if self-employed) and address ▶ **EIN** :

ZIP code

Form 1040A (1999)

Answers to Quiz:

Allow students 5 minutes to answer the questions. Discuss the answers and summarize the lesson.

1. c Form 1040A allows for both credits.

2. a Personal exemptions are deducted from income.

3. b The larger the credit, the more money refunded.

4. a Adjusted gross income, along with earned income, is used to determine the amount of the Earned Income Tax Credit.

5. c These incomes are the phaseout range of the Earned Income Tax Credit. The phaseout is based on the greater of earned income and AGI.

Summary

Key Points to Remember

- By using Form 1040A, you can take advantage of tax credits.

- Some IRA contributions are deductible and others are not.

- Low income taxpayers with children may benefit from specific credits.

- The Earned Income Tax Credit is treated like a tax payment.

Quiz :

Circle the correct answer for each question.

1. Which of the following tax credits is allowed on Form 1040A?
   - a. Credit for child and dependent care expenses.
   - b. Earned income credit.
   - c. Both "a" and "b."
   - d. Neither "a" nor "b."

2. Which of the following has the effect of reducing taxable income?
   - a. Personal exemptions.
   - b. Credit for child and dependent care expenses.
   - c. Credit for elderly or disabled.
   - d. Earned income tax credit.

3. For Form 1040A, which of the following would tend to increase the tax refund?
   - a. A smaller amount of federal income tax withheld.
   - b. A larger amount of child care tax credit.
   - c. A larger amount of tax obligation.
   - d. A designation to have $3 go to the Presidential Election Campaign Fund.

4. Which of the following is used to calculate the Earned Income Tax Credit?
   - a. adjusted gross income.
   - b. taxable income.
   - c. Both of the above.
   - d. Neither of the above.

5. Consider the Earned Income Tax Credit for the following families who are married filing a joint return. Each has two qualifying children. Which would have the smallest basic credit?
   - a. Family A with $18,000 earned income and $18,000 of adjusted gross income.
   - b. Family B with $18,000 earned income, and $16,000 of adjusted gross income.
   - c. Family C with $18,000 earned income, and $20,000 of adjusted gross income.
   - d. The credit is the same for all of these families.

Instructor's Guide
Becoming Taxwise
Lesson 4-A:
Form 1040, Part I

90 minutes

Introduction:

Form 1040 is the most complex form. Taxpayers can benefit from using this form to claim deductions, credits, and adjustments.

Objectives:

After the completion of this lesson, students will:

- understand the differences between Form 1040A and Form 1040.
- know how to complete Form 1040.
- understand itemized deductions and other important tax terms.

Form 1040

Form 1040 is the most comprehensive tax form. When using Form 1040 you must determine your filing status.

Generally, you can claim exemptions for yourself, a spouse, and dependents. For most taxpayers each exemption claimed reduces taxable income by $2,750. For a joint tax return with two exemptions for dependents, the exemption amount would be $11,000 (4 x $2,750).

NOTES:

EQUIPMENT NEEDED:

Chalk board or flip chart
Chalk, markers or transparencies
Overhead projector
Chalk or markers

CLASS TO INCLUDE:

Introduction	10 minutes
Discussion & Activities	60 minutes
Summary	20 minutes

Student's Guide
Becoming Taxwise
Lesson 4A:
Form 1040, Part I

Introduction:

Form 1040 is the most comprehensive and complex tax form. By understanding how to complete the form, you can take advantage of important tax deductions, credits, and adjustments.

During this lesson you will learn:

- how to complete Form 1040.
- when to file a Form 1040.
- the advantages of Form 1040 over Form 1040EZ and Form 1040A.

Form 1040

You will have to file Form 1040 if you have received income, such as business profit, that can be reported only on Form 1040. You will want to file Form 1040 if you can take subtractions from income, such as the mortgage interest deduction, and tax credits that are available only on Form 1040.

Label, Filing Status, And Exemptions

These sections are identical to Form 1040A. You have the same five filing status options:

- Single
- Married filing joint return
- Married filing separate return
- Head of household
- Qualifying widow(er)

Terminology

Capital gain (or loss) - A capital gain is the increase in the value of an asset, such as corporate stock, precious metals, residential real estate, or commercial real estate. A capital loss is the decrease in the value of these types of assets. Generally, capital gains and losses are relevant for tax purposes only when assets are sold or otherwise disposed of. The gain or loss is determined by comparing the asset's sale price to its purchase price or other legally established basis.

Dividends - Ordinary dividends are payments that a corporation makes to shareholders from profits. Dividends can be in the form of cash or additional corporation stock. If taxable dividends are over $400, you must complete and attach Schedule 1 to Form 1040A or Schedule B to Form 1040.

continued on page 64

PUBLICATIONS:

504	*Divorced or Separated Individuals*
525	*Taxable and Nontaxable Income*
544	*Sales and Other Dispositions of Assets*

TELE-TAX TOPICS:

406	*Alimony Received*
410	*Pensions and Annuities*
416	*Farming and Fishing Income*

Lines 8a, 8b, and 9—Interest and Ordinary Dividend Income

If your taxable interest income exceeds $400 or your dividend income exceeds $400, you must complete and attach Schedule B, Interest and Dividend Income. (Form 1040A required the completion of Schedule 1, which asked for the same information as Schedule B.) Schedule B is the topic of Lesson 6.

Line 10—Taxable Refunds, Credits, or Offsets of State and Local Income Taxes

If you took an itemized deduction for state and local income tax withheld from your pay during a year, you would have to claim as income the income tax refund you received from the previous year's tax return.

NOTES:

Lines 8a, 8b and 9—Interest and Ordinary Dividend Income

Handling this type of income on your tax return is similar to Form 1040A.

Line 10—Taxable Refunds, Credits, or Offsets of State and Local Income Taxes

Generally, this is relevant only if you itemized your deductions on the previous year's tax return, rather than taking the standard deduction.

Terminology *continued*

Exemptions/dependents - Generally, taxpayers may claim exemptions on a tax return for the taxpayer, his or her spouse, children, and certain other persons who are dependent on you for financial support. Personal exemptions, other than for yourself and your spouse, are called "dependent exemptions." In 1999, each personal exemption reduced your taxable income by $2,750. Taxpayers with very high income lose part or all of their personal exemptions. On a joint tax return, the personal exemption phaseout begins when adjusted gross income reaches $189,950.

Filing status - The five possible filing statuses for tax returns are married filing joint return, qualifying widow(er), head of household, single, and married filing separate return. The filing status on a tax return depends on the taxpayer's marital status and other factors. Several features of the income tax vary according to the filing status of the taxpayer. The two most prominent features are the standard deduction and the tax rate brackets for the 15%, 28%, 31%, 36%, and 39.6% tax rates. Married filing joint return and qualifying widow(er) have the highest standard deduction. Married filing separate return has the lowest standard deduction. Married filing joint return and qualifying widow(er) frequently bring the lowest tax on a given amount of taxable income.

Itemized - List of specific deductible personal expenses on Schedule A, an attachment to Form 1040.

Line 11—Alimony Received

NOTES:

Child support payments are not alimony and are neither taxable to the recipient nor deductible to the payer.

Line 12—Business Income (or Loss)

A separate Schedule C or Schedule C-EZ must be filed for every business that you operate. If you are in business part-time, while holding a full-time job, use Schedule C or Schedule C-EZ to report business profit or loss. This lesson covers the amount for Line 12 with *Schedule C, Profit or Loss From Business.* (See Lesson 7 for additional details on Schedule C.)

Lines 13 and 14—Capital and Other Gains or (Losses)

Generally, if a taxpayer's capital losses exceed gains as a result of asset transactions, the maximum amount of capital loss that can be claimed is $3,000. The remaining loss can be carried forward and claimed in future tax years. Suppose Sam Stanton has an $8,000 capital loss in 1998 and no other capital losses or gains in 1998, 1999, and 2000. Sam would claim a $3,000 capital loss in 1998, a $3,000 capital loss in 1999, and a $2,000 capital loss in 2000.

Several different schedules and worksheets are relevant for determining capital gains income. The specifics for capital gain income are beyond the scope of this presentation.

Example
Milton James purchased 200 shares of stock for $30 per share in 1990. In 1999 Milton sold his 200 shares for $40 per share. In 1991 Milton purchased 400 shares of stock for $60 per share. In 1999 he sold these 400 shares for $55 per share. What is Milton's capital gain or loss for 1999?

Answer: (200 x $40) - (200 x $30) = $2,000 capital gain
(400 x $55) - (400 x $60) = $2,000 capital loss
2,000 - $2,000 = zero

The net effect is neither a gain nor a loss. The difference in the dates the stocks were originally purchased would make no difference.

Line 11—Alimony Received

NOTES:

Alimony or separate maintenance payments made under a court decree are taxable income to the person receiving them. The person making the payments deducts them as an adjustment to gross income on Line 31a.

Line 12—Business Income (or Loss)

This is a very important part of Form 1040. Business profit or loss is reported here. Just as interest and dividends have a special reporting schedule, *Schedule C, Profit or Loss From Business* or *Schedule C-EZ, Net Profit from Business,* are the schedules that are the basis for Line 12. Schedule C or Schedule C-EZ are only for businesses that are sole proprietorships—not partnerships or corporations.

Lines 13 and 14—Capital and Other Gains or (Losses)

A capital gain is the increase in the value of an asset, such as corporate stock, precious metals, residential real estate, or commercial real estate. A capital loss is the decrease in the value of an asset. Capital gains and losses are relevant for tax purposes only when assets are sold or exchanged. Generally, when an asset is sold, the tax code says that the capital gain (or loss) has been "realized." If you bought 100 shares of ABC Corporation stock at $50 per share and later sell the stock at $70 per share, the capital gain would be $2,000 ($20 x 100). If you sell the stock for only $40 per share, you would have a capital loss of $1,000 ($10 x 100).

Example
Milton James purchased 200 shares of stock for $30 per share in 1990. In 1999 Milton sold his 200 shares for $40 per share. In 1991 Milton purchased 400 shares of stock for $60 per share. In 1999 he sold these 400 shares for $55 per share. What is Milton's capital gain or loss for 1999?

Lines 15a and 16a—IRA, Pension and Annuity Distributions

These sources of income are treated the same on Form 1040 as on Form 1040A.

Line 17—Rental Real Estate, Royalties, Partnerships, S Corporations, Trusts, etc.

Schedule E must be completed if you have income in any of these categories.

Line 18—Farm Income (or Loss)

Schedule F is required for reporting profit or loss from farming.

Line 19—Unemployment Compensation Benefits

Unemployment compensation is considered income.

Lines 20a and 20b—Social Security Benefits

See *Instructions for Form 1040* to determine the taxable amount of these benefits.

NOTES:

Lines 15a and 16a—IRA, Pension and Annuity Distributions

These lines deal with income received during the year from Individual Retirement Arrangements, pensions and annuities.

Line 17—Rental Real Estate, Royalties, Partnerships, S Corporations, Trusts, etc.

Rent includes rental income from residential property. Royalties generally include income from a publishing company for a book that has been published.

Line 18—Farm Income (or Loss)

Farm income is similar to business income, reported on Line 12. Farm income has some specific provisions that are handled differently compared to other business income.

Line 19—Unemployment Compensation Benefits

Generally, all unemployment compensation benefits are counted as taxable income just as on Form 1040A.

Lines 20a and 20b—Social Security Benefits

Part of Social Security or equivalent railroad retirement benefits may be taxable just as on Form 1040A.

NOTES:

Line 21—Other Income

See *Instructions for Form 1040* for a listing of income that might be reported here.

Line 22—Total Income

The Line 22 amount excludes any nontaxable income that may have been received.

ADJUSTED GROSS INCOME

Adjusted gross income is the result of subtracting all adjustments.

Line 23—IRA Deduction

The IRA contribution is the only adjustment to income on Form 1040A. IRA specifics are presented in Lesson 3-B.

Line 24—Student Loan Interest

Individuals may be able to deduct interest on qualified student loans paid after 1997.

Line 25—Medical Savings Accounts

The program is a test of the medical savings accounts concept and will be available only to the first 750,000 participants each year from 1997 through the end of 2000. MSAs are like IRAs, created for the purpose of defraying unreimbursed health care expenses for a tax favored basis. Contributions to the account by an individual are deductible from adjusted gross income, and contributions made by an individual's employer are excluded from income (except if made through a cafeteria plan).

Contributions are subject to an annual limitation which is a percentage of the deductible of the required "high deductible" health plan. For individual coverage, the limit is 65% of the deductible. For family coverage the limit is 75% of the deductible. If one spouse has family coverage, they both come under the 75% limit, but they must split it between themselves. No deduction is allowed for a contribution to an MSA if either spouse received excludable employer contributions.

NOTES:

Line 21—Other Income

See *Instructions for Form 1040* for a listing of income that might be reported here.

Line 22—Total Income

Total income is recorded on Line 22. Total income includes taxable income from all sources.

ADJUSTED GROSS INCOME

In this section of Form 1040, you subtract all adjustments to income from total income .

Line 23—IRA Deduction

An Individual Retirement Arrangement gives taxpayers the opportunity to deposit income in accounts or investments to build a "nest egg" for retirement years. Many taxpayers will defer tax on part of their income through contributions to an IRA.

Line 24—Student Loan Interest

Individuals may be able to deduct interest on qualified student loans paid after 1997.

Line 25—Medical Savings Accounts

Employees of small business and self-employed individuals will be able to take advantage of medical savings accounts (MSAs) to pay health care expenses, provided the accounts are used in conjunction with "high deductible" health insurance.

NOTES:

Line 26—Moving Expenses

NOTES:

The distance test involves a comparison of the distance of your old house to your old job site and the distance of your old home to your new job location. The test is met if the distance to the new job is more than 50 miles greater than the distance to the old job. Attach *Form 3903, Moving Expenses*, to report moving expenses.

Lines 27, 28 and 29—One-Half of Self-Employment Tax, Self-Employed Health Insurance, Keogh and Self-Employed SEP and SIMPLE Retirement Plans

The self-employment tax is calculated on Schedule SE and is covered in Lesson 8. Since employees frequently have medical insurance paid by employers, the self-employed may be allowed a partial deduction for health insurance premiums on Line 28.

Contributions to Keogh, SEP or SIMPLE retirement programs (Line 29) provide for tax-deferred deposits into retirement programs (similar to IRAs for employees). Contributions to these retirement programs are also deducted from adjusted gross income.

Example

John Simmons is self-employed. His total self-employment tax was $8,800 for 1999. What amount of self-employment tax will go on Line 27?

Answer: $8,800 x .5 = $4,400

Line 26—Moving Expenses

Employees and self-employed persons can deduct certain moving expenses. Only the expenses incurred in 1999 can be deducted on this line. Generally, you can take this deduction if you moved in connection with your job and fulfill the "50-mile distance test."

Lines 27, 28 and 29—One-Half of Self-Employment Tax, Self-Employed Health Insurance, Keogh and Self-Employed SEP or SIMPLE Retirement Plans

The provisions on these lines are all designed to give the self-employed, or business owner, tax benefits similar to those available to people who are employees. To avoid excessive tax burdens compared to wage earners, one-half of the Social Security and Medicare self-employment tax is deductible on Line 27.

Example
John Simmons is self-employed. His total self-employment tax was $8,800 for 1999. What amount of self-employment tax will go on Line 27?

NOTES:

Line 30—Penalty on Early Withdrawal of Savings

The penalty amount is excluded from income that is subject to taxation.

Line 31—aAlimony Paid

Child support payments are not alimony and are not deductible. What constitutes alimony depends on when the decree of divorce or separate maintenance was executed. Different rules apply to agreements made after 1984.

Line 33—Adjusted Gross Income

It may first appear that adjusted gross income, with just one line, hardly deserves to be a major section of Form 1040. Adjusted gross income, frequently shortened to AGI, plays important roles in many other parts of a Form 1040 tax return. For example, in itemized deductions, the medical expense deduction and the job expense deduction are limited by an amount that relates to AGI. These provisions will be explained in this lesson, which deals with *Schedule A, Itemized Deductions.*

NOTE: There is no quiz for this lesson. Summarize the lesson at the end of the class.

Summary

Key Points to Remember

- Form 1040 is the most complex form.
- Depending on deductions and credits, you may have to attach additional forms.
- Form 1040 allows you to claim itemized deductions, credits and adjustments.

Line 30—Penalty on Early Withdrawal of Savings

If you withdraw savings from a time deposit or certificate account prior to the maturity date, you may be charged a penalty by the financial institution. If this happens to you, enter the amount of the penalty.

Line 31a—Alimony Paid

Generally, anyone who pays alimony can claim the amount paid during the year as an adjustment to income. The alimony is fully taxable to the person receiving it.

Line 33—Adjusted Gross Income

All adjustments to income are added together on Line 32. Adjusted gross income on Line 33 is the result of subtracting the adjustments to income from the total income on Line 22.

NOTES:

Instructor's Guide
Becoming Taxwise
Lesson 4-B:
Form 1040, Part II

90 minutes

Introduction:

NOTES:

Part II of Form 1040 deals with deductions and credits. By understanding all aspects of the form, tax payers will pay only what they owe.

Objectives:

After this lesson students should:

- be able to complete all sections of Form 1040.
- understand the various credits.
- understand additional child care and dependent deductions.
- know the rules pertaining to the Earned Income Tax Credit.

Form 1040, Page 2

The first line on page 2 of Form 1040 is the adjusted gross income brought over from the last line of page 1. The calculations on page 2 of Form 1040 begin with adjusted gross income and end with the refund or amount owed. You arrive at this result by first making a tax computation by working through Lines 34 through 40.

The next section focuses on the tax credits available to a taxpayer. The initial tax amount minus credits is shown on Line 49. The next section adds other taxes owed to arrive at total tax on Line 56. Finally, various payments are subtracted, including federal income tax withheld, to determine the refund or amount owed.

EQUIPMENT NEEDED:

Chalk board or flip chart
Overhead projector and transparencies
Chalk or markers

CLASS TO INCLUDE:

Introduction	10 minutes
Discussion & Activities	60 minutes
Quiz & Summary	20 minutes

Student's Guide
Becoming Taxwise
Lesson 4-B:
Form 1040, Part II

Introduction:

By taking advantage of credit and deductions you can reduce your tax liability. Form 1040 is a complex form that permits these credits.

Objectives:

During this session you will learn:

- how to complete Part B of Form 1040.
- how to take advantage of various credits.

Terminology

Credits (tax credits) - A tax credit, like a tax deduction, reduces the amount of tax you owe. Deductions, like the standard deduction or itemized deductions, are subtractions that lower your taxable income. A tax credit is a dollar-for-dollar subtraction from your tax obligation.

A tax credit of one dollar saves you a full dollar in taxes, whereas a tax deduction of one dollar brings less than a dollar in tax saving (either $.15, $.28, $.31, $.36, or $.396 depending on your tax rate bracket). Three frequently used tax credits are: (1) the Earned Income Tax Credit, (2) the Credit for Child and Dependent Care Expenses and (3) the Credit for the Elderly or the Disabled.

continued on page 71

PUBLICATIONS:

505	*Tax Withholding and Estimated Tax*
531	*Reporting Tip Income*
550	*Investment Income and Expenses*
936	*Home Mortagages, Etc.*

TELE-TAX TOPICS:

251	*Form 1040PC Tax Return*
252	*Electronic Filing*
501	*Should I Itemize?*

Discussion & Activities:

NOTES:

Line 36—Itemized Deductions or Standard Deduction

Assuming that the taxpayer cannot be claimed as a dependent by anyone else, and is not 65 or older or blind, the standard deduction amounts for 1999 are as follows:

$4,300	Single
$7,200	Married filing joint return
$3,600	Married filing separate return
$6,350	Head of household
$7,200	Qualifying widow(er)

Tax Computation

Most taxpayers do not find it advantageous to itemize deductions and simply take the standard deduction.

With regard to itemized deductions, a special rule applies for a married person filing a separate return. With this filing status on a return, both spouses are required to either itemize or take the standard deduction. Therefore, if one spouse itemizes deductions, the other spouse is required to itemize deductions also.

Discussion & Activities:

Line 36—Itemized Deductions or Standard Deduction

The standard deduction is a set amount of income exempt from taxation based on filing status. The standard deduction amounts for 1999 are:

$4,300	Single
$7,200	Married filing joint return
$3,600	Married filing separate return
$6,350	Head of household
$7,200	Qualifying widow(er)

Tax Computation

The tax computation section of Form 1040, Lines 34 through 40, are similar to the corresponding section of Form 1040A. However, there is a major difference relating to the standard deduction: Line 34 of Form 1040 gives the choice of entering the standard deduction or itemized deductions. Form 1040A and Form 1040EZ allow only the standard deduction.

There are two reasons for this.

- First, for some itemized deductions, you do not get a deduction for the full amount of your expenses. For example, with medical and dental expenses, the amount you are allowed to deduct is limited to the unreimbursed amount spent in excess of 7.5% of adjusted gross income.

- Second, when you arrive at the total of your allowable itemized deductions, you will itemize only if this amount exceeds your standard deduction. For many people, the total of itemized deductions is less than the standard deduction allowed. When this is the case, you save by simply taking the standard deduction. You are, however, encouraged to complete Schedule A to see if you can save tax dollars by itemizing deductions. If itemizing deductions doesn't save you tax dollars this year, it possibly will in the future.

Terminology *continued*

Deductions - Allowable amounts used to decrease taxble income.

Earned Income Tax Credit - The Earned Income Tax Credit provides financial support for taxpayers who are employed, but have relatively low earned incomes. The credit is not available to taxpayers with adjusted gross income over $10,200 with no qualifying child; $26,928 with one qualifying child; and $30,580 with more than one qualifying child. The basic credit can be as much as $347 with no qualifying child, $2,312 with one child and as much as $3,816 with two or more children. The Earned Income Tax Credit is a refundable credit. That is, it is treated like a tax payment. A refundable credit can bring a refund even if the taxpayer did not pay any tax or have any tax withheld.

Line 38—Exemptions

NOTES:

Elderly (age 65 and older) and/or blind taxpayers can claim a greater standard deduction than the basic standard deduction for their filing status. For a single taxpayer, the standard deduction is increased by $1,050 for being elderly or blind. For married taxpayers (including married filing separate return), the upward adjustment is $850 for each characteristic. If both spouses are elderly and blind, the upward adjustment is $3,400 ($850 x 4).

The alternative to taking a standard deduction is completing *Schedule A, Itemized Deductions.* As the name implies, itemized deductions are taken for spending in specific areas. These include:

- medical and dental expenses
- taxes you paid
- mortgage interest you paid
- gifts to charity
- casualty and theft losses
- job expenses and other miscellaneous deductions

NOTE: Itemized deductions are covered in Lesson 5.

Line 38—Exemptions

Once you have the "standard versus itemized" decision out of the way, the next step is entering an amount for exemptions on Line 38. This is very straightforward for most taxpayers with moderate income. Line 38 will be the exemption amount of $2,750 times the number of exemptions claimed on Line 6d. With four exemptions claimed, Line 38 would be $11,000.

The exemption amount on Line 38 is subject to phaseout for high-income taxpayers. The exemption phaseout begins at a level of adjusted gross income that depends on your filing status:

$189,950	Married filing joint return or qualifying widow(er)
$158,300	Head of household
$126,600	Single
$ 94,975	Married filing separate return

A worksheet in the 1040 Instructions must be completed to determine the exemption amount allowed.

NOTES:

Line 40—Amount of Tax Based on Taxable Income

If your taxable income is less than $100,000, you determine the tax for Line 39 from the tax table in *Instructions for Form 1040.*

Line 41—Credit for Child and Dependent Care Expenses

Line 41 provides a credit for child and dependent care expenses. For 1040 filers, the required schedule is *Form 2441, Child and Dependent Care Expenses.*

Line 42—Credit for Elderly or the Disabled, Child Tax Credit

Line 42 is the credit for the elderly or the disabled. For Form 1040 filers, the required schedule is *Schedule R, Credit for the Elderly or the Disabled.*

Line 43—Child Tax Credit

Line 43 is the child tax credit.

Line 44—Education Credits

Line 44 is for education credits. For 1040 filers, the required schedule is *Form 8863, Education Credits.*

Line 45—Adoption Credits

For 1040 filers, the required schedule is *Form 8839, Qualified Adoption Expenses.*

NOTES:

Line 40—Amount of Tax Based on Taxable Income

If your taxable income is $100,000 or more you will have to use the tax rate schedule that applies to your filing status.

Line 41—Credit for Child and Dependent Care Expenses

You may be able to claim the credit if you pay someone to care for your dependent, who is under age 13, or for your spouse or dependent who is not able to care for himself or herself.

Line 42—Credit for Elderly and/or the Disabled

Elderly individuals and individuals who are permanently disabled may be able to claim this credit on their tax returns.

Line 43—Child Tax Credit

The Child Tax Credit is a credit that can reduce your tax. You may be able to take a credit on your tax return of up to $500 for each of your qualifying children.

Line 44—Education Credits

The Hope Scholarship Credit and the Lifetime Learning Credit for higher education expenses paid in 1999 for an eligible student may be claimed by taxpayers who qualify.

Line 45—Adoption Credits

Adoption expenses of $5,000 ($6,000 for a special needs child) for qualifying expenses paid to adopt an eligible child may be claimed by taxpayers who qualify.

NOTES:

Line 46—Foreign Tax Credit

With some limitations, you are entitled to a tax credit for certain taxes paid to a foreign country on income taxed by both the U.S. and the foreign country. To claim this credit, you will have to complete and attach *Form 1116, Foreign Tax Credit.*

Line 47—Other Credits

These credits include the disabled access credit, the low-income housing credit, the jobs credit, and the credit for increasing research activities. These complex areas of business taxation are far beyond the scope of this general treatment of individual income taxation.

Line 48—Total of Tax Credits

In addition to the tax calculated on Line 40, certain other taxes may also have to be paid. Some of these taxes are advanced topics that apply to only a few taxpayers.

Line 50—Self-employment Tax

The self-employment tax is made up of two separate taxes, one to support Social Security and the other for Medicare.

Line 52—Social Security and Medicare Tax on Tip Income Not Reported to Employer

If you have tip income that you did not report to your employer, or your W-2 Form(s) shows allocated tips that you must report in income, you must pay the Social Security and Medicare tax on the unreported tips. You will have to determine your Social Security and Medicare taxes on this unreported tip income by completing *Form 4137, Social Security and Medicare Tax on Unemployment Income.*

Line 55—Household Employment Taxes

On Line 55 of Form 1040, enter the amount of employment taxes you owe as determined by *Schedule H, Household Employment Taxes.*

NOTES:

Line 46—Foreign Tax Credit

You may pay income taxes to a foreign country if you have worked outside of the country or have income from foreign securities or investments.

Line 47—Other Credits

Other credits include tax credits that owners of business enterprises can take advantage of to reduce the amount of tax owed.

Line 48—Total of Tax Credits

Line 48 is the sum of the tax credits from Lines 41 through 47. This amount is subtracted from the tax entered on Line 40. This subtraction can bring your tax to zero on Line 49, but not to a negative number.

Line 50—Self-Employment Tax

If you have a business, you will report business income and expenses on Schedule C. Your net profit or loss from Schedule C is reported on Line 12. If you have net earnings of $400 or more, you may have to calculate your self-employment tax using *Schedule SE, Self-Employment Tax.*

Line 52—Social Security and Medicare Tax on Tip Income Not Reported to Employer

If you work in a job where tip income is common, such as in a restaurant, your employer will report tip income to the IRS and withhold Social Security and Medicare tax on tip income. However, tips not reported to the employer are entered on this line.

Line 55—Household Employment Taxes

If you have paid cash wages to a household employee (e.g., a housekeeper), you may owe employment taxes on wages paid. If this is the case, you must file *Schedule H, Household Employment Taxes.*

NOTES:

Line 57—Federal Income Tax Withheld

NOTES:

On the Form W-2 that an employer provides to employees every year, federal income tax withheld is shown in Box 2. For joint returns, add the Box 2 amounts from both spouses' W-2 forms and enter the total. Do not treat Boxes 4 and 6 as income tax withheld. These are payroll taxes to support Social Security and Medicare programs operated by the federal government.

Line 58—Estimated Tax payments

Most taxpayers will not need to get involved with estimated taxes. If you do have significant income not subject to a withholding requirement, you may be able to handle the problem by having your employer withhold an additional amount from your paycheck. Do this by filling out and providing a new Form W-4 to your employer.

Line 59a—Earned Income Tax Credit

To take advantage of the Earned Income Tax Credit, your earned income and adjusted gross income must each be less than $10,200 if you do not have a qualifying child, less than $26,928 if you have only one qualifying child, and less than $30,580 if you have more than one qualifying child to receive the credit.

The maximum amount of the Earned Income Tax Credit is $347 if you do not have a qualifying child, $2,312 if you have one qualifying child. If you have two or more qualifying children, the maximum credit is $3,816. The advance Earned Income Tax Credit payments (Line 54), are the payments of the credit in advance by your employer.

NOTE: Earned Income Tax Credit is covered in detail in Lesson 9.

Line 57—Federal Income Tax Withheld

This entry is the same as for Form 1040A, Line 35. Employees usually have federal income tax withheld from their wages, salaries, and tips. See Box 2 on all W-2 forms.

Line 58—Estimated Tax Payments

Estimated tax is a way to make tax payments throughout the year for income, such as business profit and interest income, that is not subject to withholding. The estimated tax procedure involves quarterly payments to the IRS.

Line 59a—Earned Income Tax Credit

This is a special tax credit for low-income households. The Earned Income Tax Credit was also treated in Lesson 3-B, since the credit was also a feature of Form 1040A. To qualify, you must have earned income (such as wages, salaries, or business profit). Your home must be in the United States (unless you are in the military). There are several other rules you must meet, as explained in *Publication 596, Earned Income Credit (EIC).*

NOTES:

Line 60—Additional Child Tax Credit

A qualifying child for purposes of the child tax credit is a child who:

- is claimed as your dependent on Line 6c of Form 1040, and
- was **under age 17** at the end of 1999, and
- is your son, daughter, adopted child, grandchild, stepchild, or foster child, and
- is a United States citizen or resident alien.

Line 61—Amount Paid with Form 4868 (Request for Extension)

You do not need to give a reason for requesting the extension. The extension is for four months. You must estimate the balance due, if any. If you estimate a balance due, you should pay the amount when you file Form 4868. When you complete your actual tax return, the amount paid with the extension request is entered on Line 61.

Line 62—Excess Social Security and RRTA Tax Withheld

If you have more than one employer and wage income over $72,600, your employers together may withhold an excessive amount of this tax. If this happens, you have overpaid Social Security tax and are due a refund. The excess tax withheld can be claimed on Line 62.

Lines 63 and 64

The payments on Line 63 are beyond the scope of this chapter. The total for the payments section is shown on Line 64.

Refund or Amount Owed

If you have overpaid, Lines 66a and 67 give you the choices of receiving a refund or having all or part of the amount overpaid applied to your estimated tax for 1999. Most people will take the full amount as a refund. Lines 66b, c, and d, give you the option of having your refund sent directly to your bank.

NOTES:

Line 60—Additional Child Tax Credit

This credit is for certain people who have three or more qualifying children. The additional child tax credit may give you a refund even if you do not owe any tax.

Line 61—Amount Paid with Form 4868 (Request for Extension)

Sometimes taxpayers are not able to meet the tax return deadline of April 15. If you are in this situation you can file (by April *17, 2000) Form 4868, Request for Extension.*

NOTE: April 15 is the normal filing date. If April 15 falls on a Saturday, Sunday or holiday, tax forms are due by midnight the following Monday.

Line 62—Excess Social Security, and RRTA Tax Withheld

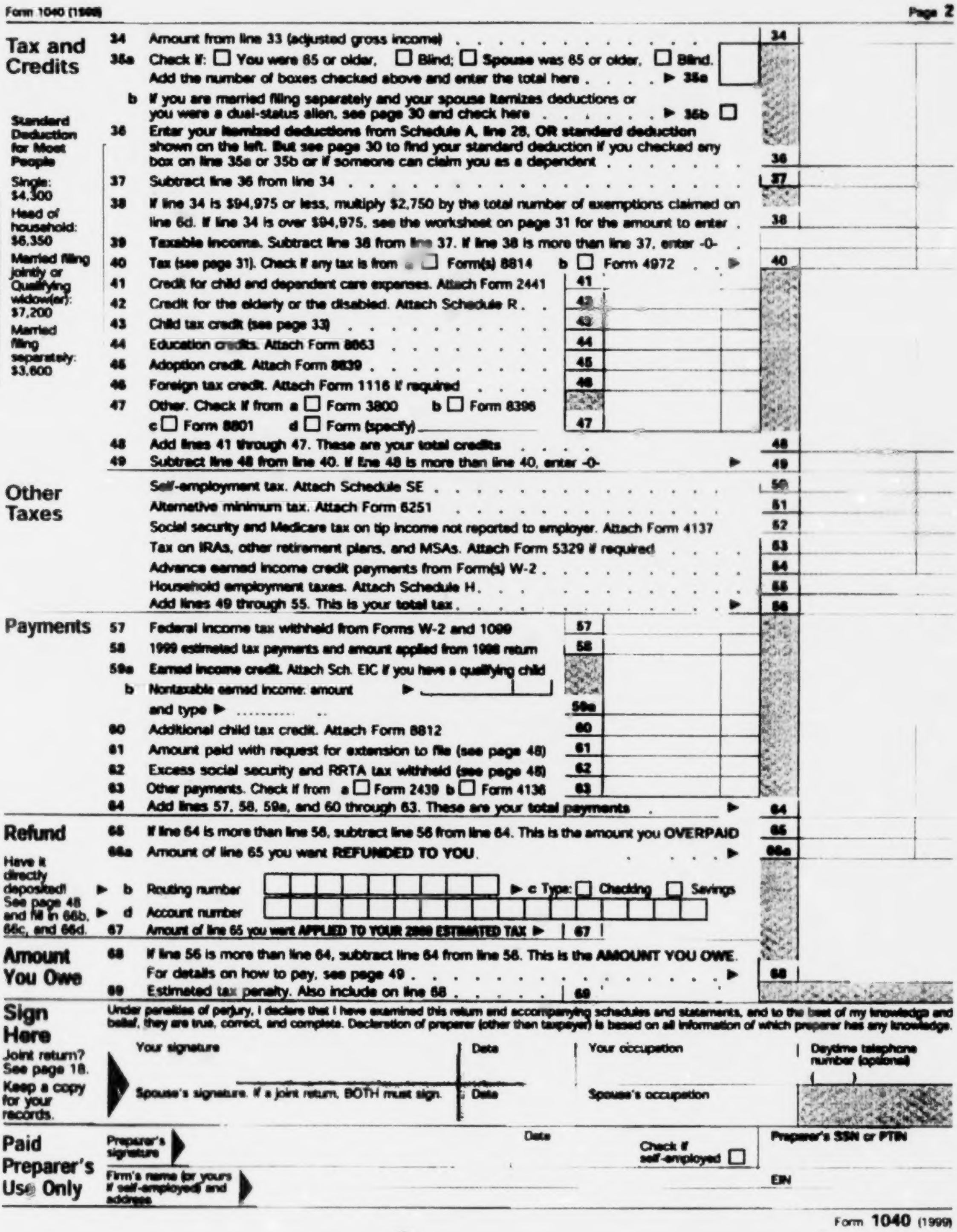
In 1999, the Social Security tax withheld from your wages is based on wage earnings up to $72,600. If you earn more than this amount working for one employer, the employer stops withholding Social Security tax at the appropriate cutoff.

Refund or Amount Owed

Form 1040 ends with precisely the same entries as the short Form 1040A. Line 64 shows your total payments that are subtracted from total tax on Line 56. The result can be an amount overpaid on Line 65 or an amount you owe on Line 67.

NOTES:

Sample Form 1040, Part II



Form 1040 (1999) Page 2

Tax and Credits

34 Amount from line 33 (adjusted gross income) 34

35a Check if: ☐ You were 65 or older, ☐ Blind; ☐ Spouse was 65 or older, ☐ Blind.
Add the number of boxes checked above and enter the total here . . . . ▶ 35a ☐

b If you are married filing separately and your spouse itemizes deductions or you were a dual-status alien, see page 30 and check here . . . . . . ▶ 35b ☐

Standard Deduction for Most People
Single: $4,300
Head of household: $6,350
Married filing jointly or Qualifying widow(er): $7,200
Married filing separately: $3,600

36 Enter your **itemized deductions** from Schedule A, line 28, OR standard deduction shown on the left. But see page 30 to find your standard deduction if you checked any box on line 35a or 35b or if someone can claim you as a dependent 36

37 Subtract line 36 from line 34 37

38 If line 34 is $94,975 or less, multiply $2,750 by the total number of exemptions claimed on line 6d. If line 34 is over $94,975, see the worksheet on page 31 for the amount to enter . 38

39 **Taxable income.** Subtract line 38 from line 37. If line 38 is more than line 37, enter -0- . 39

40 Tax (see page 31). Check if any tax is from a ☐ Form(s) 8814 b ☐ Form 4972 . . ▶ 40

41 Credit for child and dependent care expenses. Attach Form 2441 41

42 Credit for the elderly or the disabled. Attach Schedule R . . 42

43 Child tax credit (see page 33) 43

44 Education credits. Attach Form 8863 44

45 Adoption credit. Attach Form 8839 45

46 Foreign tax credit. Attach Form 1116 if required 46

47 Other. Check if from a ☐ Form 3800 b ☐ Form 8396
c ☐ Form 8801 d ☐ Form (specify) ________ 47

48 Add lines 41 through 47. These are your **total credits** 48

49 Subtract line 48 from line 40. If line 48 is more than line 40, enter -0- . . ▶ 49

Other Taxes

Self-employment tax. Attach Schedule SE 50

Alternative minimum tax. Attach Form 6251 51

Social security and Medicare tax on tip income not reported to employer. Attach Form 4137 52

Tax on IRAs, other retirement plans, and MSAs. Attach Form 5329 if required 53

Advance earned income credit payments from Form(s) W-2 54

Household employment taxes. Attach Schedule H 55

Add lines 49 through 55. This is your **total tax** . . . . ▶ 56

Payments

57 Federal income tax withheld from Forms W-2 and 1099 57

58 1999 estimated tax payments and amount applied from 1998 return 58

59a **Earned income credit.** Attach Sch. EIC if you have a qualifying child

b Nontaxable earned income: amount ▶ ________
and type ▶ 59a

60 Additional child tax credit. Attach Form 8812 60

61 Amount paid with request for extension to file (see page 48) 61

62 Excess social security and RRTA tax withheld (see page 48) 62

63 Other payments. Check if from a ☐ Form 2439 b ☐ Form 4136 63

64 Add lines 57, 58, 59a, and 60 through 63. These are your **total payments** . ▶ 64

Refund

65 If line 64 is more than line 56, subtract line 56 from line 64. This is the amount you **OVERPAID** 65

66a Amount of line 65 you want **REFUNDED TO YOU** . . . . . ▶ 66a

Have it directly deposited! See page 48 and fill in 66b, 66c, and 66d.

▶ b Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings

▶ d Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

67 Amount of line 65 you want **APPLIED TO YOUR 2000 ESTIMATED TAX** ▶ 67

Amount You Owe

68 If line 56 is more than line 64, subtract line 64 from line 56. This is the **AMOUNT YOU OWE.**
For details on how to pay, see page 49 . . . . ▶ 68

69 Estimated tax penalty. Also include on line 68 69

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See page 18.
Keep a copy for your records.

Your signature | Date | Your occupation | Daytime telephone number (optional) ( )

Spouse's signature. If a joint return, BOTH must sign. | Date | Spouse's occupation

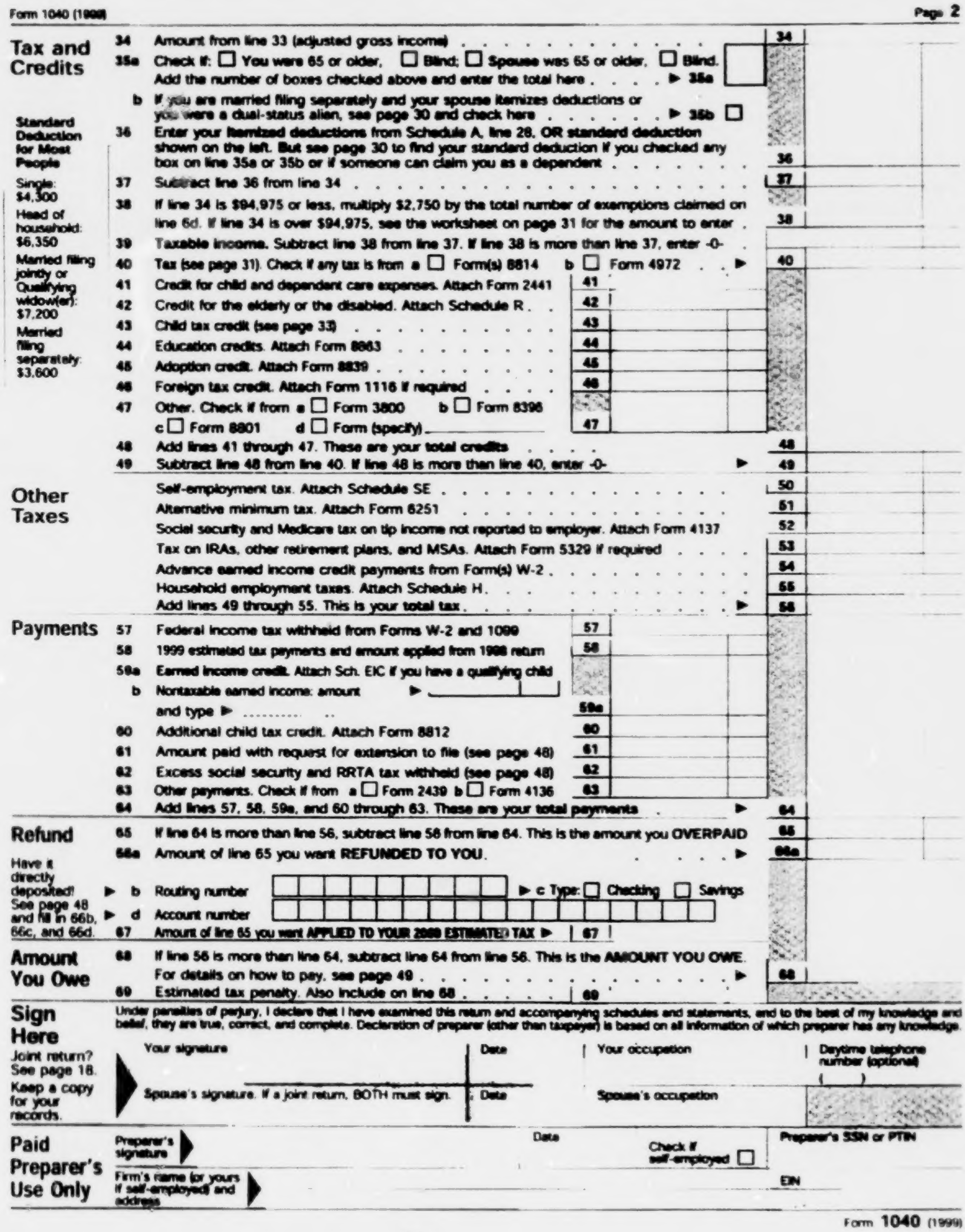
Paid Preparer's Use Only

Preparer's signature | Date | Check if self-employed ☐ | Preparer's SSN or PTIN

Firm's name (or yours if self-employed) and address | EIN

Form **1040** (1999)

Sample Form 1040, Part II



Form 1040 (1999) Page 2

Tax and Credits

34 Amount from line 33 (adjusted gross income) 34

35a Check if: ☐ You were 65 or older, ☐ Blind; ☐ Spouse was 65 or older, ☐ Blind.
Add the number of boxes checked above and enter the total here . . . . ▶ 35a ☐

b If you are married filing separately and your spouse itemizes deductions or you were a dual-status alien, see page 30 and check here . . . . ▶ 35b ☐

Standard Deduction for Most People
Single: $4,300
Head of household: $6,350
Married filing jointly or Qualifying widow(er): $7,200
Married filing separately: $3,600

36 Enter your **itemized deductions** from Schedule A, line 28, OR standard deduction shown on the left. But see page 30 to find your standard deduction if you checked any box on line 35a or 35b or if someone can claim you as a dependent 36

37 Subtract line 36 from line 34 37

38 If line 34 is $94,975 or less, multiply $2,750 by the total number of exemptions claimed on line 6d. If line 34 is over $94,975, see the worksheet on page 31 for the amount to enter . 38

39 **Taxable income.** Subtract line 38 from line 37. If line 38 is more than line 37, enter -0- .

40 Tax (see page 31). Check if any tax is from a ☐ Form(s) 8814 b ☐ Form 4972 . . ▶ 40

41 Credit for child and dependent care expenses. Attach Form 2441 41

42 Credit for the elderly or the disabled. Attach Schedule R . . 42

43 Child tax credit (see page 33) 43

44 Education credits. Attach Form 8863 44

45 Adoption credit. Attach Form 8839 45

46 Foreign tax credit. Attach Form 1116 if required 46

47 Other. Check if from a ☐ Form 3800 b ☐ Form 8396
c ☐ Form 8801 d ☐ Form (specify) ________ 47

48 Add lines 41 through 47. These are your **total credits** 48

49 Subtract line 48 from line 40. If line 48 is more than line 40, enter -0- ▶ 49

Other Taxes

Self-employment tax. Attach Schedule SE 50

Alternative minimum tax. Attach Form 6251 51

Social security and Medicare tax on tip income not reported to employer. Attach Form 4137 52

Tax on IRAs, other retirement plans, and MSAs. Attach Form 5329 if required 53

Advance earned income credit payments from Form(s) W-2 54

Household employment taxes. Attach Schedule H. 55

Add lines 49 through 55. This is your **total tax** . . . . ▶ 56

Payments

57 Federal income tax withheld from Forms W-2 and 1099 57

58 1999 estimated tax payments and amount applied from 1998 return 58

59a Earned income credit. Attach Sch. EIC if you have a qualifying child

b Nontaxable earned income: amount ▶ ________
and type ▶ 59a

60 Additional child tax credit. Attach Form 8812 60

61 Amount paid with request for extension to file (see page 48) 61

62 Excess social security and RRTA tax withheld (see page 48) 62

63 Other payments. Check if from a ☐ Form 2439 b ☐ Form 4136 63

64 Add lines 57, 58, 59a, and 60 through 63. These are your **total payments** . ▶ 64

Refund

65 If line 64 is more than line 56, subtract line 56 from line 64. This is the amount you OVERPAID 65

66a Amount of line 65 you want REFUNDED TO YOU. . . . . ▶ 66a

Have it directly deposited! See page 48 and fill in 66b, 66c, and 66d.

▶ b Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings

▶ d Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

67 Amount of line 65 you want APPLIED TO YOUR 2000 ESTIMATED TAX ▶ 67

Amount You Owe

68 If line 56 is more than line 64, subtract line 64 from line 56. This is the **AMOUNT YOU OWE.** For details on how to pay, see page 49 . . . . ▶ 68

69 Estimated tax penalty. Also include on line 68 69

Sign Here

Joint return? See page 18. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature | Date | Your occupation | Daytime telephone number (optional) ( )

Spouse's signature. If a joint return, BOTH must sign. | Date | Spouse's occupation

Paid Preparer's Use Only

Preparer's signature | Date | Check if self-employed ☐ | Preparer's SSN or PTIN

Firm's name (or yours if self-employed) and address | EIN

Form 1040 (1999)

Activities:

Case 1

Spencer Lewis.

> *Answer: Spencer's filing status is single. He should take itemized deductions instead of the standard deduction. Spencer has overpaid his tax by $1,008.*
>
> *If Spencer expects about the same income and itemized deductions the following year, he may want to reduce the amount of tax overpaid. To make the change, Spencer would file a new Form W-4 with his employer to reduce the amount of tax withheld.*
>
> *The information provided on Social Security and Medicare tax withheld is not relevant for Spencer's income tax return.*

Case 2

Tom and Marla Gonzales.

> *Answer: Tom and Marla Gonzales received a refund of $1,696.*
>
> *The Gonzales' do not qualify for the child care credit. They qualify for the child credit in the amount of $800 ($400 for Tom and $400 for Marla). In addition, the Gonzales' are eligible for $1,244 of Earned Income Tax Credit.*
>
> *Their itemized deductions are less than the standard deduction for their filing status. Schedule A will not be filed.*
>
> *They are due a refund of $1,298.*

Activities:

NOTES:

Case 1

Spencer Lewis has been divorced for three years and has not remarried. He has no children or other dependents. Spencer is blind. The following is Spencer's basic tax information:

Salary from one employer	$16,062
Federal income tax withheld	1,456
Social Security and Medicare tax withheld	1,229
Taxable interest	161
IRA deduction	1,000
Alimony paid (recipient SSN 212-00-6775)	2,400
Itemized deductions (from Schedule A)	7,084

Using Form 1040, determine Spenser's tax refund or amount of tax due.

Case 2

Tom and Marla Gonzales are married and have two children: John (age 14) and Carla (age 15). Both Marla and Tom work outside the home and are filing a joint tax return. Tom has a part-time auto repair business. The following is the Gonzales' tax information:

Salary for Marla	$12,450
Salary for Tom	11,780
Federal income tax withheld (combined)	760
Social Security/Medicare tax withheld (combined)	1,854
Business profit (from Schedule C)	380
Taxable interest	271
Taxable dividends	300
IRA deduction	500
Earned Income Tax Credit	???
Child care expenses	3,000
Itemized deductions (from Schedule A)	2,300

If they qualify for an Earned Income Tax Credit, they do not receive an advance payment of the credit from their employers. Using the two basic pages of Form 1040, determine the amount of tax refund or amount of tax due on the Gonzales' tax return.

Sample Form 1040, Part I

Form **1040** Department of the Treasury– Internal Revenue Service
U.S. Individual Income Tax Return **1999** (99) IRS Use Only– Do not write or staple in this space
For the year Jan. 1–Dec. 31, 1999, or other tax year beginning , 1999, ending , OMB No. 1545-0074

Label (See instructions on page 18.) **Use the IRS label.** Otherwise, please print or type. LABEL HERE

Your first name and initial: Spencer
Last name: Lewis
Your social security number: 444 22 3333
If a joint return, spouse's first name and initial:
Last name:
Spouse's social security number:
Home address (number and street). If you have a P.O. box, see page 18: 12 - 64th Ave
Apt. no.: 12B
City, town or post office, state, and ZIP code. If you have a foreign address, see page 18: Columbus NM 12222

▲ **IMPORTANT!** ▲ You **must** enter your SSN(s) above.

Presidential Election Campaign (See page 18.)

	Yes	No
Do you want $3 to go to this fund?	☐	☒
If a joint return, does your spouse want $3 to go to this fund?	☐	☐

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing Status

Check only one box.

1 ☒ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 18.) If the qualifying person is a child but not your dependent, enter this child's name here ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 18.)

Exemptions

6a ☒ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a.
b ☐ **Spouse**

No. of boxes checked on 6a and 6b: 1

c **Dependents:**

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 19)
			☐
			☐
			☐
			☐
			☐
			☐

If more than six dependents, see page 19.

No. of your children on 6c who:
- lived with you
- did not live with you due to divorce or separation (see page 19)

Dependents on 6c not entered above

d Total number of exemptions claimed

Add numbers entered on lines above ▶ 1

Income

Attach Copy B of your Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 20.

Enclose, but do not staple, any payment. Also, please use Form 1040-V.

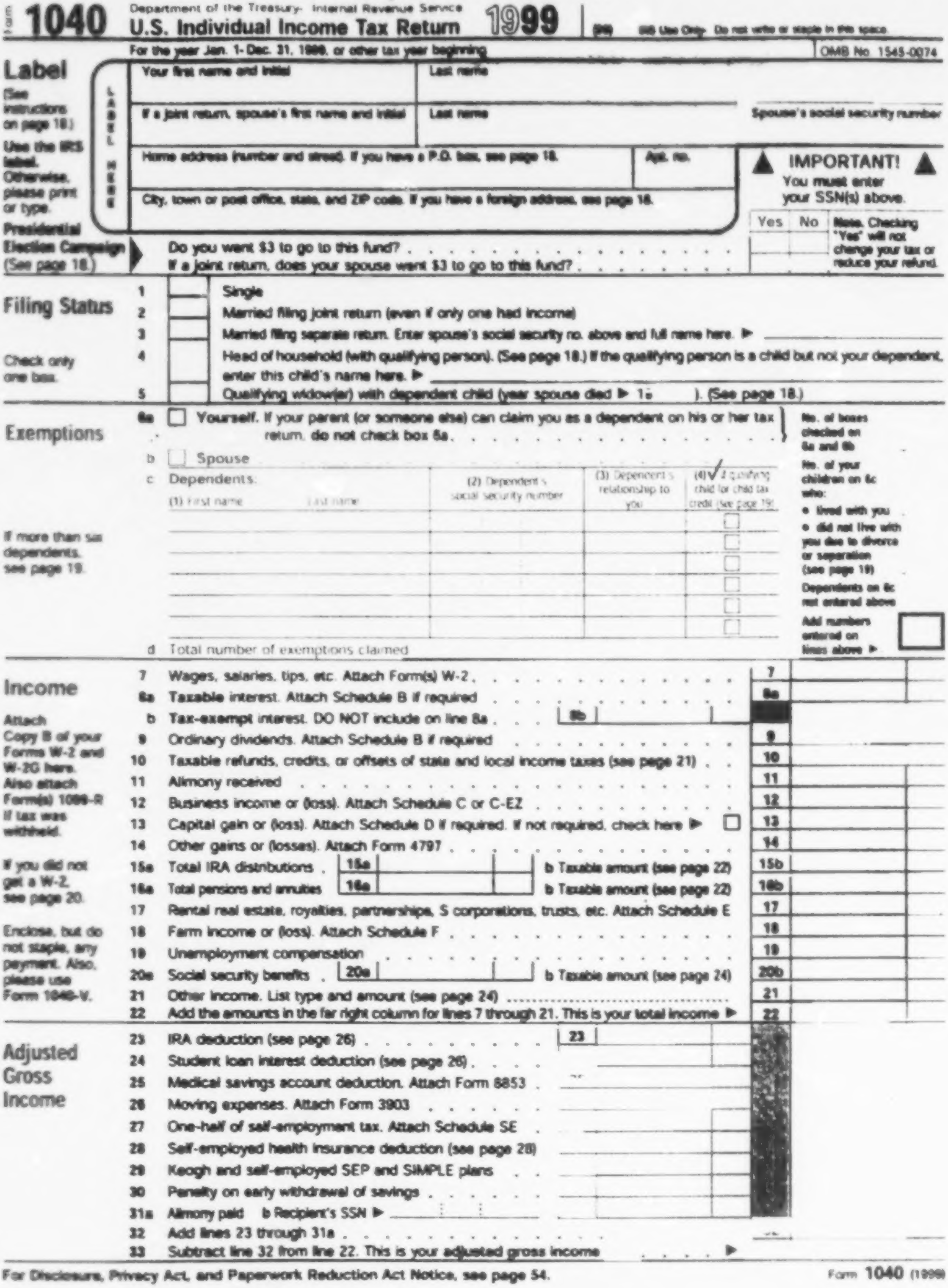
7	Wages, salaries, tips, etc. Attach Form(s) W-2		7	16062 –
8a	**Taxable** interest. Attach Schedule B if required		8a	161 –
b	**Tax-exempt** interest. DO NOT include on line 8a	8b		
9	Ordinary dividends. Attach Schedule B if required		9	
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 21)		10	
11	Alimony received		11	
12	Business income or (loss). Attach Schedule C or C-EZ		12	
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13	
14	Other gains or (losses). Attach Form 4797		14	
15a	Total IRA distributions	15a	b Taxable amount (see page 22) 15b	
16a	Total pensions and annuities	16a	b Taxable amount (see page 22) 16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17	
18	Farm income or (loss). Attach Schedule F		18	
19	Unemployment compensation		19	
20a	Social security benefits	20a	b Taxable amount (see page 24) 20b	
21	Other income. List type and amount (see page 24)		21	
22	Add the amounts in the far right column for lines 7 through 21. This is your **total income** ▶		22	16223 –

Adjusted Gross Income

23	IRA deduction (see page 26)	23	1000 –	
24	Student loan interest deduction (see page 26)	24		
25	Medical savings account deduction. Attach Form 8853	25		
26	Moving expenses. Attach Form 3903	26		
27	One-half of self-employment tax. Attach Schedule SE	27		
28	Self-employed health insurance deduction (see page 28)	28		
29	Keogh and self-employed SEP and SIMPLE plans	29		
30	Penalty on early withdrawal of savings	30		
31a	Alimony paid b Recipient's SSN ▶ 777 11 2222	31a	2400	
32	Add lines 23 through 31a		32	3400
33	Subtract line 32 from line 22. This is your **adjusted gross income** ▶		33	12823

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 54. Cat. No. 11320B Form **1040** (1999)

Sample Form 1040, Part I



Form **1040** Department of the Treasury– Internal Revenue Service
U.S. Individual Income Tax Return **1999** (99) IRS Use Only– Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 1999, or other tax year beginning OMB No. 1545-0074

Label
(See instructions on page 18.)
Use the IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial | Last name

If a joint return, spouse's first name and initial | Last name | Spouse's social security number

Home address (number and street). If you have a P.O. box, see page 18. | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 18.

IMPORTANT! You must enter your SSN(s) above.

Presidential Election Campaign (See page 18.)

	Yes	No
Do you want $3 to go to this fund?	☐	☐
If a joint return, does your spouse want $3 to go to this fund?	☐	☐

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing Status

Check only one box.

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here. ▶ ______
4 ☐ Head of household (with qualifying person). (See page 18.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶ ______
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 18.)

Exemptions

6a ☐ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not check box 6a** .
b ☐ **Spouse**
c Dependents:

If more than six dependents, see page 19.

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 19)
			☐
			☐
			☐
			☐
			☐
			☐

d Total number of exemptions claimed

No. of boxes checked on 6a and 6b ____
No. of your children on 6c who:
- lived with you ____
- did not live with you due to divorce or separation (see page 19) ____

Dependents on 6c not entered above ____
Add numbers entered on lines above ▶ ☐

Income

Attach Copy B of your Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 20.

Enclose, but do not staple, any payment. Also, please use Form 1040-V.

7	Wages, salaries, tips, etc. Attach Form(s) W-2		7
8a	**Taxable** interest. Attach Schedule B if required		8a
b	**Tax-exempt** interest. DO NOT include on line 8a	8b	
9	Ordinary dividends. Attach Schedule B if required		9
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 21)		10
11	Alimony received		11
12	Business income or (loss). Attach Schedule C or C-EZ		12
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13
14	Other gains or (losses). Attach Form 4797		14
15a	Total IRA distributions	15a	b Taxable amount (see page 22) 15b
16a	Total pensions and annuities	16a	b Taxable amount (see page 22) 16b
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17
18	Farm income or (loss). Attach Schedule F		18
19	Unemployment compensation		19
20a	Social security benefits	20a	b Taxable amount (see page 24) 20b
21	Other income. List type and amount (see page 24)		21
22	Add the amounts in the far right column for lines 7 through 21. This is your **total income** ▶		22

Adjusted Gross Income

23	IRA deduction (see page 26)	23	
24	Student loan interest deduction (see page 26)	24	
25	Medical savings account deduction. Attach Form 8853	25	
26	Moving expenses. Attach Form 3903	26	
27	One-half of self-employment tax. Attach Schedule SE	27	
28	Self-employed health insurance deduction (see page 28)	28	
29	Keogh and self-employed SEP and SIMPLE plans	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid b Recipient's SSN ▶	31a	
32	Add lines 23 through 31a		32
33	Subtract line 32 from line 22. This is your **adjusted gross income** ▶		33

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 54. Form **1040** (1999)

Sample Form 1040, Part II

Form 1040 (1999) S. Lewis Page **2**

Standard Deduction for Most People
Single: $4,300
Head of household: $6,350
Married filing jointly or Qualifying widow(er): $7,200
Married filing separately: $3,600

Tax and Credits	34	Amount from line 33 (adjusted gross income)		34 12823
	35a	Check if: ☐ You were 65 or older, ☐ Blind; ☐ Spouse was 65 or older, ☐ Blind. Add the number of boxes checked above and enter the total here ▶ 35a		
	b	If you are married filing separately and your spouse itemizes deductions or you were a dual-status alien, see page 30 and check here ▶ 35b ☐		
	36	Enter your **itemized deductions** from Schedule A, line 28, **OR standard deduction** shown on the left. **But** see page 30 to find your standard deduction if you checked any box on line 35a or 35b or if someone can claim you as a dependent		36 7084
	37	Subtract line 36 from line 34		37 5739
	38	If line 34 is $94,975 or less, multiply $2,750 by the total number of exemptions claimed on line 6d. If line 34 is over $94,975, see the worksheet on page 31 for the amount to enter		38 2750
	39	**Taxable income.** Subtract line 38 from line 37. If line 38 is more than line 37, enter -0-		2989
	40	Tax (see page 31). Check if any tax is from a ☐ Form(s) 8814 b ☐ Form 4972 ▶		448
	41	Credit for child and dependent care expenses. Attach Form 2441	41	
	42	Credit for the elderly or the disabled. Attach Schedule R	42	
	43	Child tax credit (see page 33)	43	
	44	Education credits. Attach Form 8863	44	
	45	Adoption credit. Attach Form 8839	45	
	46	Foreign tax credit. Attach Form 1116 if required	46	
	47	Other. Check if from a ☐ Form 3800 b ☐ Form 8396 c ☐ Form 8801 d ☐ Form (specify)	47	
	48	Add lines 41 through 47. These are your **total credits**		48
	49	Subtract line 48 from line 40. If line 48 is more than line 40, enter -0- ▶		49 448
Other Taxes	50	Self-employment tax. Attach Schedule SE		50
	51	Alternative minimum tax. Attach Form 6251		51
	52	Social security and Medicare tax on tip income not reported to employer. Attach Form 4137		52
	53	Tax on IRAs, other retirement plans, and MSAs. Attach Form 5329 if required		53
	54	Advance earned income credit payments from Form(s) W-2		54
	55	Household employment taxes. Attach Schedule H		55
	56	Add lines 49 through 55. This is your **total tax** ▶		56 448
Payments	57	Federal income tax withheld from Forms W-2 and 1099	57 1456	
	58	1999 estimated tax payments and amount applied from 1998 return	58	
	59a	**Earned income credit.** Attach Sch. EIC if you have a qualifying child		
	b	Nontaxable earned income: amount ▶ and type ▶	59a	
	60	Additional child tax credit. Attach Form 8812	60	
	61	Amount paid with request for extension to file (see page 48)	61	
	62	Excess social security and RRTA tax withheld (see page 48)	62	
	63	Other payments. Check if from a ☐ Form 2439 b ☐ Form 4136	63	
	64	Add lines 57, 58, 59a, and 60 through 63. These are your **total payments** ▶		64 1456
Refund	65	If line 64 is more than line 56, subtract line 56 from line 64. This is the amount you **OVERPAID**		65 1008
	66a	Amount of line 65 you want **REFUNDED TO YOU** ▶		66a
Have it directly deposited! See page 48 and fill in 66b, 66c, and 66d	▶ b	Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings		
	▶ d	Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐		
	67	Amount of line 65 you want **APPLIED TO YOUR 2000 ESTIMATED TAX** ▶	67	
Amount You Owe	68	If line 56 is more than line 64, subtract line 64 from line 56. This is the **AMOUNT YOU OWE**. For details on how to pay, see page 49 ▶		68
	69	Estimated tax penalty. Also include on line 68	69	

Sign Here
Joint return? See page 18. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

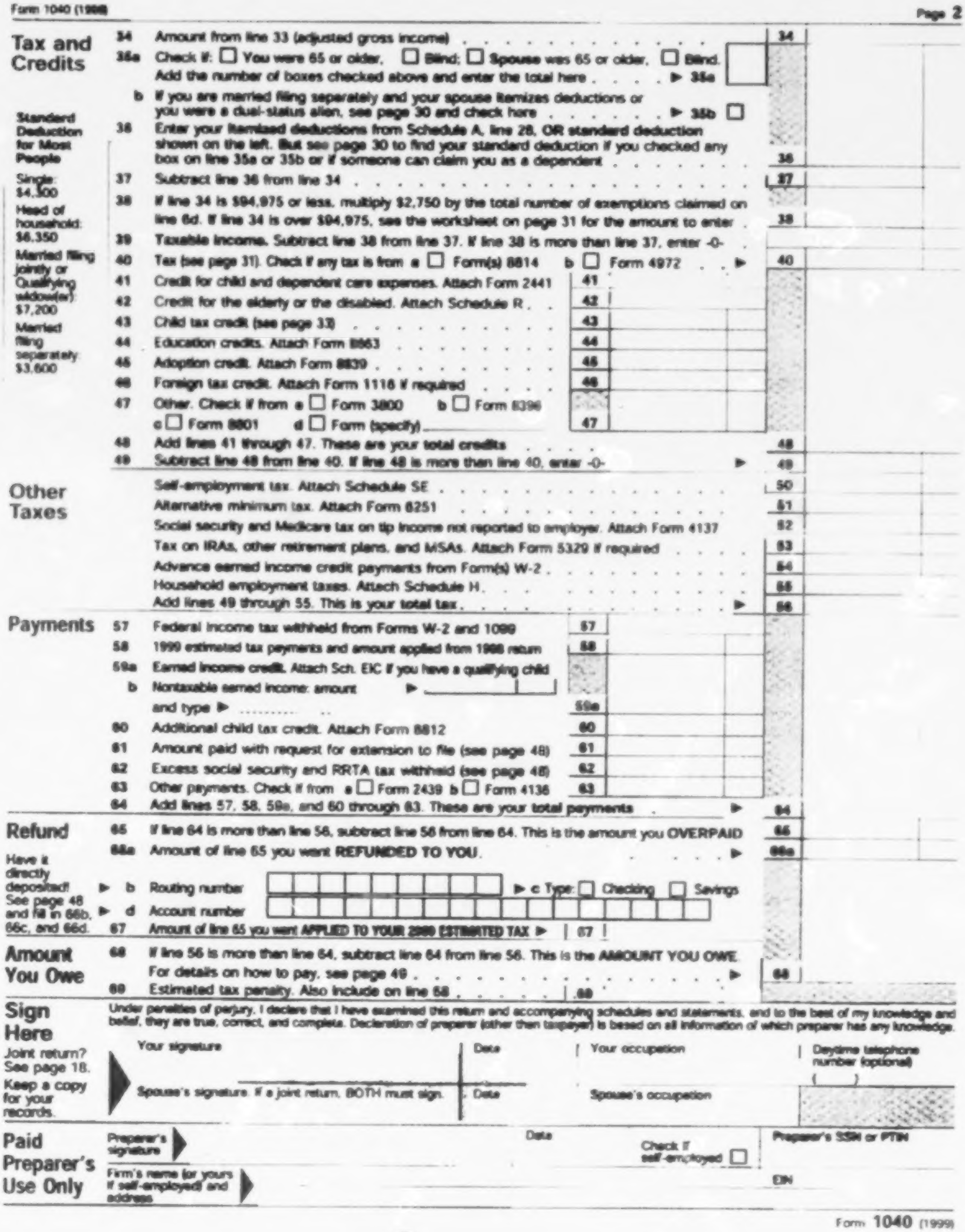
Your signature Spencer Lewis	Date 4/14/00	Your occupation Gardener	Daytime telephone number (optional) ( )
Spouse's signature. If a joint return, BOTH must sign.	Date	Spouse's occupation	

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶			EIN
			ZIP code

Form **1040** (1999)

Sample Form 1040, Part II



Form 1040 (1999) Page 2

Tax and Credits

Standard Deduction for Most People
Single: $4,300
Head of household: $6,350
Married filing jointly or Qualifying widow(er): $7,200
Married filing separately: $3,600

34 Amount from line 33 (adjusted gross income) 34
35a Check if: ☐ You were 65 or older, ☐ Blind; ☐ Spouse was 65 or older, ☐ Blind.
Add the number of boxes checked above and enter the total here . . . . ▶ 35a
b If you are married filing separately and your spouse itemizes deductions or you were a dual-status alien, see page 30 and check here . . . . . . ▶ 35b ☐
36 Enter your itemized deductions from Schedule A, line 28, OR standard deduction shown on the left. But see page 30 to find your standard deduction if you checked any box on line 35a or 35b or if someone can claim you as a dependent 36
37 Subtract line 36 from line 34 37
38 If line 34 is $94,975 or less, multiply $2,750 by the total number of exemptions claimed on line 6d. If line 34 is over $94,975, see the worksheet on page 31 for the amount to enter . 38
39 Taxable income. Subtract line 38 from line 37. If line 38 is more than line 37, enter -0- .
40 Tax (see page 31). Check if any tax is from a ☐ Form(s) 8814 b ☐ Form 4972 . . ▶ 40
41 Credit for child and dependent care expenses. Attach Form 2441 41
42 Credit for the elderly or the disabled. Attach Schedule R . . 42
43 Child tax credit (see page 33) 43
44 Education credits. Attach Form 8863 44
45 Adoption credit. Attach Form 8839 45
46 Foreign tax credit. Attach Form 1116 if required 46
47 Other. Check if from a ☐ Form 3800 b ☐ Form 8396
c ☐ Form 8801 d ☐ Form (specify) ________ 47
48 Add lines 41 through 47. These are your total credits 48
49 Subtract line 48 from line 40. If line 48 is more than line 40, enter -0- ▶ 49

Other Taxes

Self-employment tax. Attach Schedule SE 50
Alternative minimum tax. Attach Form 6251 51
Social security and Medicare tax on tip income not reported to employer. Attach Form 4137 52
Tax on IRAs, other retirement plans, and MSAs. Attach Form 5329 if required 53
Advance earned income credit payments from Form(s) W-2 54
Household employment taxes. Attach Schedule H 55
Add lines 49 through 55. This is your total tax . . . . ▶ 56

Payments

57 Federal income tax withheld from Forms W-2 and 1099 57
58 1999 estimated tax payments and amount applied from 1998 return 58
59a Earned income credit. Attach Sch. EIC if you have a qualifying child
b Nontaxable earned income: amount ▶ ________
and type ▶ 59a
60 Additional child tax credit. Attach Form 8812 60
61 Amount paid with request for extension to file (see page 48) 61
62 Excess social security and RRTA tax withheld (see page 48) 62
63 Other payments. Check if from a ☐ Form 2439 b ☐ Form 4136 63
64 Add lines 57, 58, 59a, and 60 through 63. These are your total payments . ▶ 64

Refund

Have it directly deposited! See page 48 and fill in 66b, 66c, and 66d.

65 If line 64 is more than line 56, subtract line 56 from line 64. This is the amount you OVERPAID 65
66a Amount of line 65 you want REFUNDED TO YOU . . . . . . ▶ 66a
▶ b Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings
▶ d Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐
67 Amount of line 65 you want APPLIED TO YOUR 2000 ESTIMATED TAX ▶ 67

Amount You Owe

68 If line 56 is more than line 64, subtract line 64 from line 56. This is the AMOUNT YOU OWE.
For details on how to pay, see page 49 . . . . ▶ 68
69 Estimated tax penalty. Also include on line 68 69

Sign Here

Joint return? See page 18.
Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature | Date | Your occupation | Daytime telephone number (optional) ( )
Spouse's signature. If a joint return, BOTH must sign. | Date | Spouse's occupation

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ☐ | Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶ | EIN

Form 1040 (1999)

Sample Form 1040, Part I

Form **1040** Department of the Treasury- Internal Revenue Service
U.S. Individual Income Tax Return **1999** (99) IRS Use Only- Do not write or staple in this space.

For the year Jan. 1-Dec. 31, 1999, or other tax year beginning , 1999, ending , 19 OMB No. 1545-0074

Label (See instructions on page 18.) Use the IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial MARLA	Last name GONZALES	Your social security number 444 44 4444
If a joint return, spouse's first name and initial Tom	Last name GONZALES	Spouse's social security number 555 00 5555
Home address (number and street). If you have a P.O. box, see page 18. 2697 B ETF Street	Apt. no.	▲ IMPORTANT! ▲ You must enter your SSN(s) above.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 18. Johnstown CA 55555		

Presidential Election Campaign (See page 18.)

	Yes	No	Note. Checking "Yes" will not change your tax or reduce your refund.
Do you want $3 to go to this fund?		X	
If a joint return, does your spouse want $3 to go to this fund?		X	

Filing Status

Check only one box.

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See page 18.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 18.)

Exemptions

6a ☒ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a

b ☒ **Spouse**

c Dependents:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 19)
John	GONZALES	666 22 6666	son	☐
CARLA	GONZALES	111 22 7777	daughter	☐

If more than six dependents, see page 19.

No. of boxes checked on 6a and 6b

No. of your children on 6c who:
- lived with you
- did not live with you due to divorce or separation (see page 19)

Dependents on 6c not entered above

Add numbers entered on lines above ▶ 4

d Total number of exemptions claimed

Income

Attach Copy B of your Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 20.

Enclose, but do not staple, any payment. Also, please use Form 1040-V.

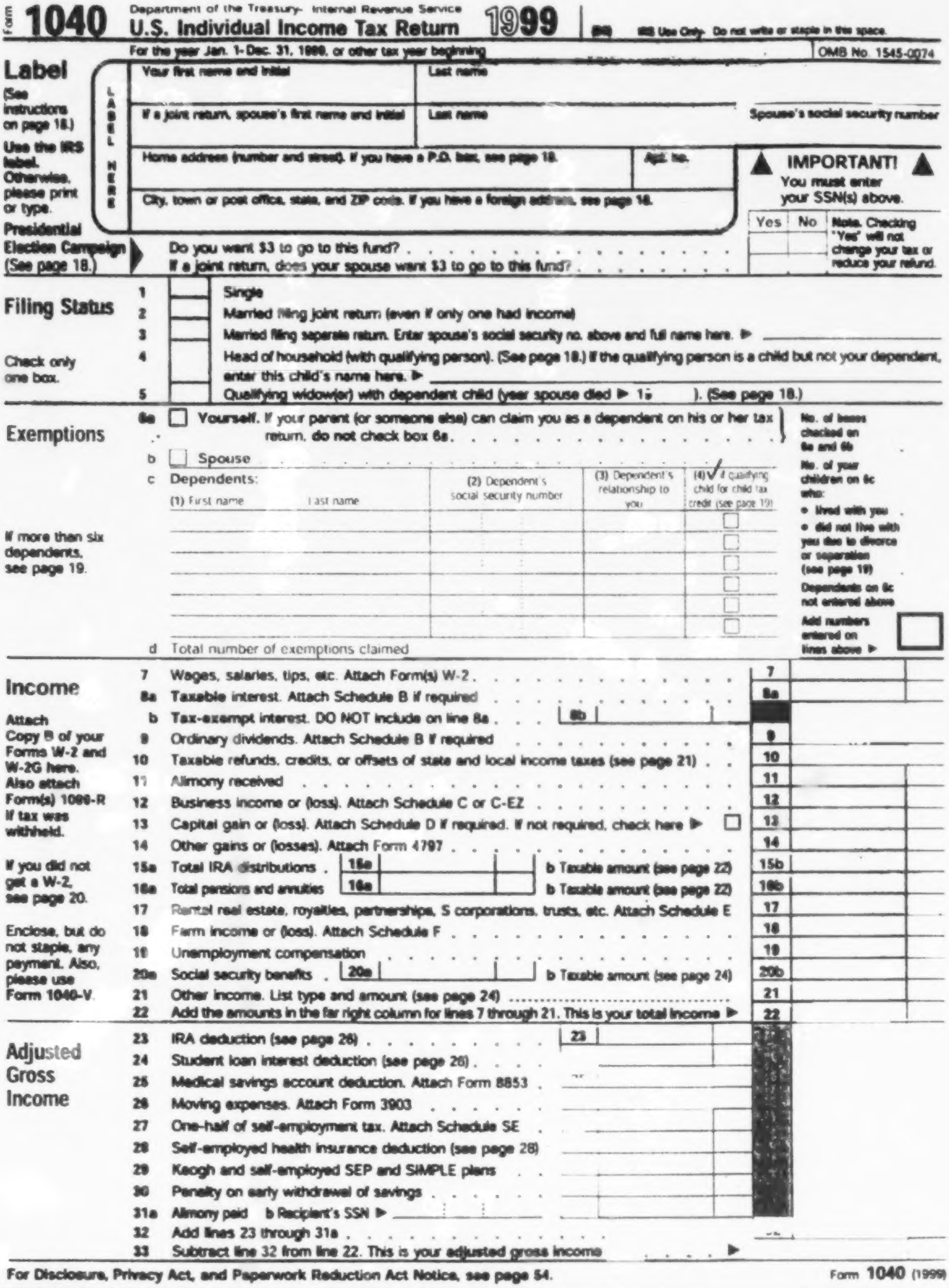
7	Wages, salaries, tips, etc. Attach Form(s) W-2		7	24230 —
8a	Taxable interest. Attach Schedule B if required		8a	271 -
b	Tax-exempt interest. DO NOT include on line 8a	8b		
9	Ordinary dividends. Attach Schedule B if required		9	900
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 21)		10	
11	Alimony received		11	
12	Business income or (loss). Attach Schedule C or C-EZ		12	980 —
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13	
14	Other gains or (losses). Attach Form 4797		14	
15a	Total IRA distributions 15a	b Taxable amount (see page 22)	15b	
16a	Total pensions and annuities 16a	b Taxable amount (see page 22)	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17	
18	Farm income or (loss). Attach Schedule F		18	
19	Unemployment compensation		19	
20a	Social security benefits 20a	b Taxable amount (see page 24)	20b	
21	Other income. List type and amount (see page 24)		21	
22	Add the amounts in the far right column for lines 7 through 21. This is your **total income** ▶		22	25181 —

Adjusted Gross Income

23	IRA deduction (see page 26)	23	500 —		
24	Student loan interest deduction (see page 26)	24			
25	Medical savings account deduction. Attach Form 8853	25			
26	Moving expenses. Attach Form 3903	26			
27	One-half of self-employment tax. Attach Schedule SE	27			
28	Self-employed health insurance deduction (see page 28)	28			
29	Keogh and self-employed SEP and SIMPLE plans	29			
30	Penalty on early withdrawal of savings	30			
31a	Alimony paid b Recipient's SSN ▶	31a			
32	Add lines 23 through 31a			32	500 —
33	Subtract line 32 from line 22. This is your **adjusted gross income** ▶			33	24681 —

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 54. Cat. No. 11320B Form **1040** (1999)

Sample Form 1040, Part I



Form **1040** Department of the Treasury- Internal Revenue Service
U.S. Individual Income Tax Return **1999** IRS Use Only- Do not write or staple in this space.
For the year Jan. 1-Dec. 31, 1999, or other tax year beginning
OMB No. 1545-0074

Label (See instructions on page 18.)
Use the IRS label. Otherwise, please print or type.
LABEL HERE
Your first name and initial | Last name
If a joint return, spouse's first name and initial | Last name | Spouse's social security number
Home address (number and street). If you have a P.O. box, see page 18. | Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 18.

IMPORTANT! You must enter your SSN(s) above.

Presidential Election Campaign (See page 18.)
Do you want $3 to go to this fund? ☐ Yes ☐ No
If a joint return, does your spouse want $3 to go to this fund? ☐ Yes ☐ No
Note. Checking "Yes" will not change your tax or reduce your refund.

Filing Status
Check only one box.
1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See page 18.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 18.)

Exemptions
6a ☐ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a.
b ☐ Spouse
c Dependents:

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 19)
			☐
			☐
			☐
			☐
			☐
			☐

If more than six dependents, see page 19.
d Total number of exemptions claimed

No. of boxes checked on 6a and 6b
No. of your children on 6c who:
- lived with you
- did not live with you due to divorce or separation (see page 19)

Dependents on 6c not entered above
Add numbers entered on lines above ▶ ☐

Income
Attach Copy B of your Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.
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15a	Total IRA distributions . 15a · b Taxable amount (see page 22)	15b
16a	Total pensions and annuities 16a · b Taxable amount (see page 22)	16b
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20a	Social security benefits . 20a · b Taxable amount (see page 24)	20b
21	Other income. List type and amount (see page 24)	21
22	Add the amounts in the far right column for lines 7 through 21. This is your **total income** ▶	22

Adjusted Gross Income

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24	Student loan interest deduction (see page 26)	24
25	Medical savings account deduction. Attach Form 8853	25
26	Moving expenses. Attach Form 3903	26
27	One-half of self-employment tax. Attach Schedule SE	27
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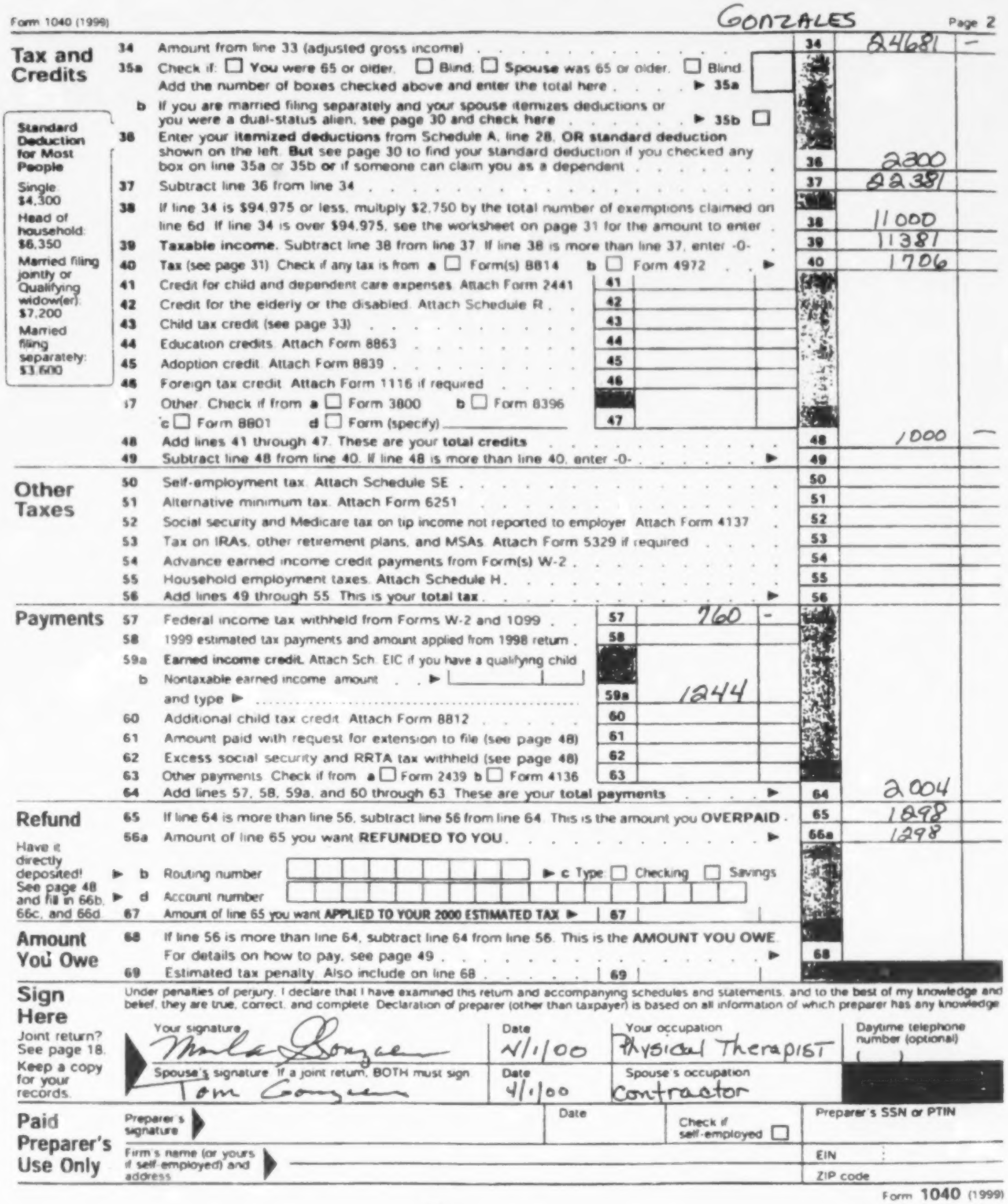
29	Keogh and self-employed SEP and SIMPLE plans	29
30	Penalty on early withdrawal of savings	30
31a	Alimony paid b Recipient's SSN ▶	31a
32	Add lines 23 through 31a	32
33	Subtract line 32 from line 22. This is your **adjusted gross income** ▶	33

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 54. Form **1040** (1999)

Sample Form 1040, Part II



Form 1040 (1999) GONZALES Page 2

Tax and Credits

34	Amount from line 33 (adjusted gross income)		34	24681 —
35a	Check if: ☐ You were 65 or older, ☐ Blind; ☐ Spouse was 65 or older, ☐ Blind. Add the number of boxes checked above and enter the total here ▶ 35a ☐			
b	If you are married filing separately and your spouse itemizes deductions or you were a dual-status alien, see page 30 and check here ▶ 35b ☐			
36	Enter your **itemized deductions** from Schedule A, line 28, **OR standard deduction** shown on the left. **But** see page 30 to find your standard deduction if you checked any box on line 35a or 35b **or** if someone can claim you as a dependent		36	2200
37	Subtract line 36 from line 34		37	22381
38	If line 34 is $94,975 or less, multiply $2,750 by the total number of exemptions claimed on line 6d. If line 34 is over $94,975, see the worksheet on page 31 for the amount to enter		38	11000
39	**Taxable income.** Subtract line 38 from line 37. If line 38 is more than line 37, enter -0-		39	11381
40	**Tax** (see page 31). Check if any tax is from a ☐ Form(s) 8814 b ☐ Form 4972 ▶		40	1706
41	Credit for child and dependent care expenses. Attach Form 2441	41		
42	Credit for the elderly or the disabled. Attach Schedule R	42		
43	Child tax credit (see page 33)	43		
44	Education credits. Attach Form 8863	44		
45	Adoption credit. Attach Form 8839	45		
46	Foreign tax credit. Attach Form 1116 if required	46		
47	Other. Check if from a ☐ Form 3800 b ☐ Form 8396 c ☐ Form 8801 d ☐ Form (specify) ______	47		
48	Add lines 41 through 47. These are your **total credits**		48	1000 —
49	Subtract line 48 from line 40. If line 48 is more than line 40, enter -0- ▶		49	

Standard Deduction for Most People
Single: $4,300
Head of household: $6,350
Married filing jointly or Qualifying widow(er): $7,200
Married filing separately: $3,600

Other Taxes

50	Self-employment tax. Attach Schedule SE		50	
51	Alternative minimum tax. Attach Form 6251		51	
52	Social security and Medicare tax on tip income not reported to employer. Attach Form 4137		52	
53	Tax on IRAs, other retirement plans, and MSAs. Attach Form 5329 if required		53	
54	Advance earned income credit payments from Form(s) W-2		54	
55	Household employment taxes. Attach Schedule H		55	
56	Add lines 49 through 55. This is your **total tax** ▶		56	

Payments

57	Federal income tax withheld from Forms W-2 and 1099	57 760 —		
58	1999 estimated tax payments and amount applied from 1998 return	58		
59a	**Earned income credit.** Attach Sch. EIC if you have a qualifying child	59a 1244		
b	Nontaxable earned income: amount ▶ and type ▶			
60	Additional child tax credit. Attach Form 8812	60		
61	Amount paid with request for extension to file (see page 48)	61		
62	Excess social security and RRTA tax withheld (see page 48)	62		
63	Other payments. Check if from a ☐ Form 2439 b ☐ Form 4136	63		
64	Add lines 57, 58, 59a, and 60 through 63. These are your **total payments** ▶		64	2004

Refund

Have it directly deposited! See page 48 and fill in 66b, 66c, and 66d

65	If line 64 is more than line 56, subtract line 56 from line 64. This is the amount you **OVERPAID**		65	1898
66a	Amount of line 65 you want **REFUNDED TO YOU** ▶		66a	1298
▶ b	Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings			
▶ d	Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐			
67	Amount of line 65 you want **APPLIED TO YOUR 2000 ESTIMATED TAX** ▶	67		

Amount You Owe

68	If line 56 is more than line 64, subtract line 64 from line 56. This is the **AMOUNT YOU OWE**. For details on how to pay, see page 49 ▶		68	
69	Estimated tax penalty. Also include on line 68	69		

Sign Here

Joint return? See page 18. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

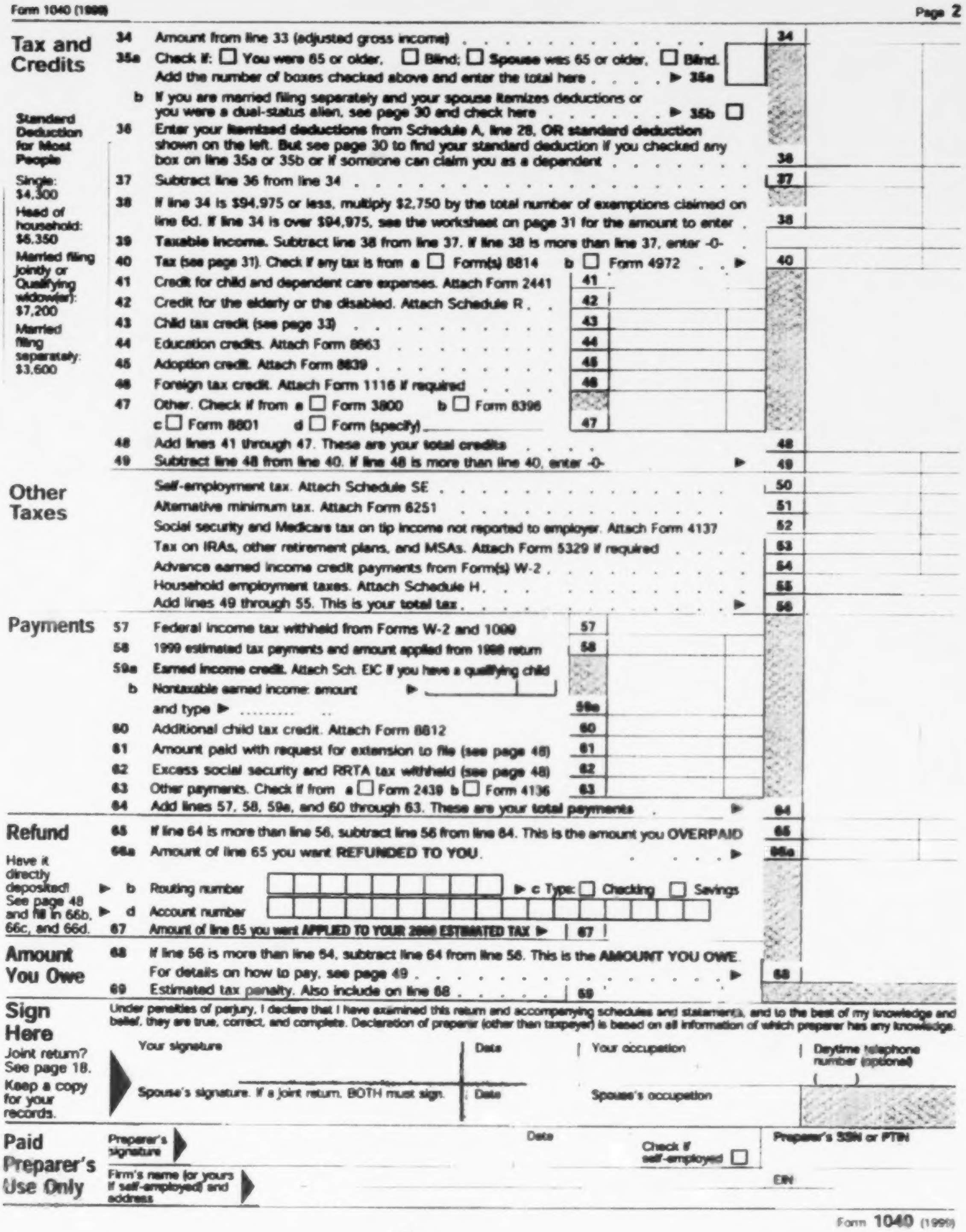
Your signature Marla Gonzales	Date 4/1/00	Your occupation Physical Therapist	Daytime telephone number (optional) ( )
Spouse's signature. If a joint return, BOTH must sign. Tom Gonzales	Date 4/1/00	Spouse's occupation Contractor	

Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶			EIN
			ZIP code

Form **1040** (1999)

Sample Form 1040, Part II



Form 1040 (1999) Page **2**

Tax and Credits

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b If you are married filing separately and your spouse itemizes deductions or you were a dual-status alien, see page 30 and check here . . . . ▶ 35b ☐

Standard Deduction for Most People
Single: $4,300
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Married filing jointly or Qualifying widow(er): $7,200
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44 Education credits. Attach Form 8863 44

45 Adoption credit. Attach Form 8839 45

46 Foreign tax credit. Attach Form 1116 if required 46

47 Other. Check if from a ☐ Form 3800 b ☐ Form 8396
c ☐ Form 8801 d ☐ Form (specify) 47

48 Add lines 41 through 47. These are your **total credits** 48

49 Subtract line 48 from line 40. If line 48 is more than line 40, enter -0- ▶ 49

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Self-employment tax. Attach Schedule SE 50

Alternative minimum tax. Attach Form 6251 51

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b Nontaxable earned income: amount ▶
and type ▶ 59a

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62 Excess social security and RRTA tax withheld (see page 48) 62

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Refund

65 If line 64 is more than line 56, subtract line 56 from line 64. This is the amount you OVERPAID 65

66a Amount of line 65 you want **REFUNDED TO YOU** . . . . . . ▶ 66a

Have it directly deposited! See page 48 and fill in 66b, 66c, and 66d.

▶ b Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings

▶ d Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

67 Amount of line 65 you want **APPLIED TO YOUR 2000 ESTIMATED TAX** ▶ 67

Amount You Owe

68 If line 56 is more than line 64, subtract line 64 from line 56. This is the **AMOUNT YOU OWE**.
For details on how to pay, see page 49 . . . . ▶ 68

69 Estimated tax penalty. Also include on line 68 69

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See page 18.
Keep a copy for your records.

Your signature | Date | Your occupation | Daytime telephone number (optional) ( )

Spouse's signature. If a joint return, BOTH must sign. | Date | Spouse's occupation

Paid Preparer's Use Only

Preparer's signature ▶ | Date | Check if self-employed ☐ | Preparer's SSN or PTIN

Firm's name (or yours if self-employed) and address ▶ | EIN

Form **1040** (1999)

Answers to Quiz (Part 1):

NOTES:

Allow students 10 minutes to answer the questions. Discuss the answers and summarize the lesson.

1. c For this reason, Form 1040 is sometimes called the "long form."

2. a Filing status requirements are the same, regardless of the form used.

3. d Schedule C is required for business income.

4. c Generally, you would select the standard deduction if it is higher than the amount of your itemized deductions.

5. a $5,000 exceeds the single standard deduction of $4,300.

6. d The schedules of Form 1040 must be completed only if they apply to the taxpayers.

7. c Form 1040A allows the standard deduction only.

Quiz (Part 1):

Circle the correct answer to each question.

1. Which form includes the most features of the individual income tax?
   a. Form 1040EZ.
   b. Form 1040A.
   c. Form 1040.
   d. All three have the same features, but different organization.

2. There is no difference between Form 1040A and Form 1040 in:
   a. choices for filing status.
   b. the types of income that can be reported.
   c. adjustments to income.
   d. tax credits.

3. Form 1040 requires a special schedule for which of the following?
   a. Personal exemptions.
   b. Alimony received.
   c. Unemployment compensation.
   d. Business income.

4. Here is a list of pairs of tax provisions. Which pair involves a choice of one or the other?
   a. Exemption for spouse, exemption for children.
   b. Wage income, business income.
   c. Standard deduction, itemized deductions.
   d. Child care credit, earned income credit.

5. Ms. Peat is single and has an AGI of $50,000. With itemized deductions of $5,000, she will save money by filing Schedule A if:
   a. her filing status is single.
   b. her filing status is head of household.
   c. her filing status is qualifying widow.
   d. none of the above.

6. Which of the following schedules must be sent to the IRS with every Form 1040 return?
   a. Schedule A, itemized Deductions.
   b. Schedule B, Interest and Dividend Income.
   c. Schedule C, Profit and Loss From Business.
   d. None of the above.

7. A major difference between Form 1040 and Form 1040A is:
   a. on Form 1040, the dollar amount for each personal exemption is greater than on Form 1040A.
   b. on Form 1040, you can indicate whether or not you are blind.
   c. on Form 1040, you can enter your itemized deductions.
   d. on Form 1040, there is a limit to the number of personal exemptions you can claim.

Answers to Quiz (Part 2):

8. a “a” is income. The others are tax credits.

9. b Self-employment tax covers Social Security and Medicare benefits of self-employed.

10. c IRA distributions under income and IRA deduction under adjustments to income.

11. d Each employer deducts Social Security, but the worker has no further Social Security tax obligation beyond $72,600.

12. d Form 1040 allows for credits and adjustments.

Summary

Key Points to Remember

- Form 1040 allows you to file for credits.
- Form 1040 is the most complex form.
- By utilizing Form 1040, you may be able to reduce your tax liability.

Quiz (Part 2):

Circle the correct answer to each question.

8. Which of the following is out of place on this list?
   a. Unemployment compensation.
   b. Credit for child and dependent care expenses.
   c. Credit for elderly and disabled.
   d. Earned income credit.

9. Self-employment tax payments go into a fund that is used to:
   a. pay unemployment compensation benefits.
   b. pay Social Security and Medicare benefits
   c. subsidize education in local public schools.
   d. pay for environmental cleanup.

10. On Form 1040, there are entries relating to Individual Retirement Arrangements (IRAs) under:
   a. income.
   b. adjustments to income.
   c. Both "a" and "b."
   d. Neither "a" nor "b."

11. A worker would have more Social Security taxes withheld in 1999 than is actually owed if the:
   a. worker had one employer and earned $20,000.
   b. worker had one employer and earned $60,000.
   c. worker had two employers and earned $20,000 from each employer.
   d. worker had two employers and earned $80,000 from each employer.

12. After you calculate your tax on Form 1040, you may be able to subtract:
   a. tax credits.
   b. federal income tax withheld.
   c. excess Social Security tax withheld.
   d. All of the above.

Instructor's Guide
Becoming Taxwise
Lesson 5:
Schedule A, Itemized Deductions

90 minutes

Introduction:

Taxpayers can benefit by itemizing deductions. If they itemize, they must do so on Schedule A and attached Schedule A to their completed Form 1040.

Objectives:

After this session students will:

- identify the types of deducations available to them.
- understand how and when to complete Schedule A.
- be able to complete Schedule A accurately.

On Form 1040, which addresses all features of individual income taxation, taxpayers can usually either take the standard deduction or itemize deductions. Use Schedule A to itemize deductions.

Standard Deductions

The standard deduction makes a certain amount of income exempt from taxation.

If you and your spouse file separate returns and your spouse itemizes deductions, you must also itemize. You cannot claim a standard deduction.

Itemized Deductions

If the total of itemized deductions is greater than the standard deduction for your filing status, you can reduce your taxes by using Schedule A. If not, you should take the standard deduction. Most taxpayers take the standard deduction. However, for those who do itemize, the tax saving can be substantial.

Itemized deductions may be taken for such things as:

- Medical and dental expenses
- State and local income taxes
- Real estate property taxes
- Personal property taxes
- Home mortgage interest
- Investment interest
- Gifts to charity

EQUIPMENT NEEDED:

Chalk board or flip chart
Transparencies
Overhead projector
Chalk or markers

CLASS TO INCLUDE:

Introduction	10 minutes
Discussion & Activities	60 minutes
Quiz & Summary	20 minutes

Student's Guide
Becoming Taxwise
Lesson 5:
Schedule A, Itemized Deductions

Introduction:

Itemizing deductions can reduce your tax liability. To itemize, you must file a Schedule A with your Form 1040.

During this lesson you will learn:

- the various types of deductions.
- why it may be helpful to itemize deductions.
- how to complete Schedule A.

The standard deduction varies with filing status as follows:

Single	$4,300
Married filing joint return	7,200
Qualifying widow(er)	7,200
Married filing separate return*	3,600
Head of household	6,350

* If you and your spouse file separate returns and your spouse itemizes deductions, you must also itemize. You cannot claim a standard deduction.

On Schedule A, taxpayers may be able to take advantage of itemized deductions for such things as:

- medical and dental expenses
- taxes you paid
- home mortgage interest you paid
- gifts to charity

Terminology

Itemized deductions - Instead of taking the standard deduction (ranging from $3,600 to $7,200 depending on filing status), a taxpayer may save tax dollars by itemizing deductions using Schedule A of Form 1040. The main categories of itemized deductions are medical expenses, charitable contributions, taxes paid, interest paid, casualty and theft losses, and job expenses. Taxpayers usually choose to itemize deductions when the total of their itemized deductions exceeds the standard deduction for their filing status.

continued on page 86

PUBLICATIONS:

502 *Medical and Dental Expenses*
526 *Charitable Contributions*
547 *Disaster and Thefts—Business and Nonbusiness*

TELE-TAX TOPICS:

503 *Deductible Taxes*
505 *Interest Expense*
506 *Contributions*

Discussion & Activities:

NOTES:

Example 1
Samuel and Carmen Martinez.

> *Answer: They will reduce their taxable income by $8,100 (instead of $7,200 for the standard deduction) by claiming itemized deductions.*

Medical and Dental Expenses

Only a portion, depending on adjusted gross income, is actually deductible. The amount by which Line 1 exceeds 7.5% of your AGI is deductible. You must have high medical expenses in order to obtain any tax advantage from this deduction.

Deductible Taxes

In contrast to medical and dental expenses, you receive an itemized deduction for the full amount of deductible taxes that you paid. There is no portion excluded based on your adjusted gross income. There are four types of deductible taxes listed: state and local income taxes (Line 5), real estate taxes (Line 6), personal property taxes (Line 7), and certain other taxes (Line 8).

Example 2
The Longs.

> *Answer: With $30,000 of adjusted gross income, the Longs would have to have more than $2,250 (7.5% x $30,000) of nonreimbursed expenses. Since the Longs had only $550 of medical and dental expenses, they receive no deduction.*

Discussion & Activities:

Example 1
Samuel and Carmen Martinez file a joint tax return. They have the following allowable itemized deductions:

Taxes paid	$2,600
Mortgage interest paid	$2,500
Gifts to charity	$3,000

The total of their itemized deductions is $8,100. The standard deduction for their filing status is $7,200. Should they itemize or use the standard deductions?

Medical and Dental Expenses

Deductible medical expenses include medical insurance premiums; prescribed drugs; insulin; medical, dental, and nursing care; special items such as eyeglasses, crutches, or hearing aids; transportation for medical care; and certain lodging. Transportation is limited to actual costs (or 10 cents per mile) plus tolls and parking fees.

Total medical and dental expenses not reimbursed by insurance are entered on Line 1 of Schedule A. However, this amount is not fully deductible.

Example 2
The Long family has $550 of medical and dental expenses that were not reimbursed by insurance. They have an adjusted gross income of $30,000. What deduction can they claim?

Terminology *continued*

Standard deduction - An amount of income that may be deducted from adjusted gross income based on the filing status of the taxpayer. The standard deduction is one of the subtractions from adjusted gross income (AGI) to arrive at taxable income. Generally, the 1999 standard deductions for taxpayers (not elderly or blind) are:

$4,300	Single
$7,200	Married filing jointly & Qualifying widow(er)
$3,600	Married filing separately
$6,350	Head of household

These amounts are limited for taxpayers who cannot be claimed as a dependent on another person's tax return. Elderly taxpayers (age 65 and older) and blind taxpayers may be allowed a standard deduction higher than the basic standard deduction for their filing status. For 1999, a single or head-of-household taxpayer, the standard deduction is increased by $1,050 for being elderly or blind. For married taxpayers the upward adjustment is $850 for each characteristic. If both spouses are elderly and blind, the upward adjustment would be $3,400 (4 x $850).

An alternative to the standard deduction is itemized deductions, which requires filing Schedule A along with Form 1040.

State and Local Income Taxes

Deductible state and local income taxes include taxes withheld by an employer and quarterly estimated tax payments. You can also deduct tax payments made during the year for an earlier year.

Real Estate Taxes

Members of the clergy and military personnel may deduct real estate taxes even if they receive a housing allowance that is excluded from income. They do not have to reduce their deductions by their nontaxable allowance.

Personal Property Taxes

This could include an annual tax on automobiles you own.

Example 3: Itemized Deductions
Shelly Morrison.

> *Answer: Of all these taxes paid, only the state income tax is deductible as an itemized deduction.*

Interest You Paid

Since 1991, personal interest for credit card debt, car loans, vacation loans, etc. are no longer deductible.

Nondeductible taxes

Many federal, state, and local government taxes are **NOT** deductible. For example:

- general sales tax
- federal taxes—income tax, Social Security (F.I.C.A.) on your wages, customs duties
- hunting licenses, dog licenses
- water and sewer taxes
- taxes paid for another person
- taxes on alcoholic beverages, cigarettes, and tobacco,
- state, local, or federal taxes on gasoline, diesel, and other motor fuels used in a nonbusiness vehicle
- utility taxes (telephone, gas, electricity, etc.).

State and Local Income Taxes

You may deduct income taxes paid to a state or local government.

Real Estate Taxes

Deductible real estate taxes are state and local taxes on real property, such as your house or land. The most common examples are property taxes on your home that are levied by a city, county, or local school district.

Personal Property Tax

A deductible personal property tax is a state or local tax charged on the value of personal property.

Example 3: Itemized Deductions

Shelly Morrison will itemize her deductions. She paid the following taxes:

General sales tax:	$1,500
Water and sewer taxes	200
State income taxes	2,000
Utility taxes	350
Alcoholic beverages taxes	150
Federal Income Taxes	4,000

Which of these can she use as an itemized deduction?

Interest You Paid

Interest is the amount that is paid for borrowing money. There are three categories of interest expenses that may be deducted on Lines 10 through 13:

- home mortgage interest
- points
- investment interest

NOTES:

Home Mortgage Interest

NOTES:

If mortgage payments were made to a financial institution, such as a bank or mortgage company, enter the amount of fully deductible interest paid on Line 10. If the payments were to an individual, enter the fully deductible interest on Line 11, and include the seller's name, address, and Social Security number.

Example 4: Mortgage Interest Deduction
Gail Avant.

> *Answer: Gail's interest deduction is $1,700 ($500 + $1,200). The car loan and charge card interest are classified as personal interest. They are not deductible as an itemized deduction.*

Points

You cannot deduct the full amount of points in the year paid, unless you meet special rules explained in *Publication 936, Home Mortgage Interest Deduction.* Points not reported on Form 1098 are entered on Line 12.

Investment Interest

An example of investment interest would be interest paid on a loan to buy shares of corporate stock. Provisions are complex and are beyond the scope of this curriculum.

Home Mortgage Interest

A home mortgage loan is a loan that is secured by pledging the title to your home. With few exceptions, mortgage interest is fully deductible for both your main home and a second home. (For very expensive homes, there may be some limitations.) Members of the clergy and military personnel may deduct allowable mortgage interest even if the interest was paid from a nontaxable housing allowance.

Example 4: Mortgage Interest Deduction
Gail Avant purchased a home in 1999. She paid $500 in points (which meets all of the rules to qualify for the full deduction) to originate the loan. Her mortgage interest paid during the year was $1,200. The interest paid on her car loan was $300. What amount of interest can Gail deduct?

Points

term "points" is often used to describe certain charges paid by a borrower to obtain a home mortgage. Points are also called loan origination fees, premium charges, or maximum loan charges. If the borrower paid these charges only for the use of money, the fees are considered to be interest.

Investment Interest

Investment interest includes interest paid on money borrowed to buy or carry property held for investment (rather than personal use).

NOTES:

Gifts to Charity

Generally, a taxpayer may deduct contributions to organizations that operate exclusively for religious, charitable, educational, scientific or literary purposes. If you itemize deductions, report these contributions on Line 15 through 17. Deductible contributions for charity include:

- money gifts to qualified organizations.
- dues, fees, and assessments above the value of the benefits received, paid to qualified organizations (not country clubs or other social organizations).
- fair market value of used clothing, furniture, or other items given to charity.
- cost and upkeep of uniforms that are not suitable for everyday use but must be worn while performing donated services for a charitable organization.
- transportation expenses that were not repaid and that relate directly to services the taxpayer gave a qualified organization. These include either 14 cents per mile or out-of-pocket expenses, such as bus fare, gas, and oil. Parking fees and tolls are deductible.
- out-of-pocket expenses that were not repaid, including reasonable amounts paid for necessary meals and lodging while the taxpayer was away from home overnight donating services to a qualified organization.
- the part of a contribution above the fair market value for items such as merchandise and tickets to charity balls or sporting events.

Example 5: Charitable Contributions
Ashley Novak.

> *Answer: The donation to her church and the gift to the charitable organization are deductible.*

Example 6
Wei Longting.

> *Answer: Charitable contributions allowed as part of itemized deductions would be $2,570—the sum of the first three items. The mileage allowance for charitable work is 14 cents per mile. None of the last four items on the list would be classified as charitable contribution for tax purposes.*

Nondeductible contributions to charity include:

- cost of raffle, bingo, or lottery tickets
- tuition to a private school
- value of a person's donated time or service
- blood donated to a blood bank or the Red Cross
- car depreciation, insurance, general repairs, or maintenance for miles driven for charitable purposes
- direct contributions to individuals
- sickness or burial expenses for members of a fraternal society

Gifts to Charity

Generally, a taxpayer may deduct contributions to organizations that operate exclusively for religious, charitable, educational, scientific, or literary purposes. If you itemize deductions, report these contributions on Lines 15 through 17.

Example 5: Charitable Contributions
Ashley Novak has made many contributions during the past year as noted below. Which can she include in itemizing her deductions?

Tuition to private school	$2,500
Value of her donated time	3,000
Donations to her church	6,000
Gift to sick neighbor	250
Donated blood	300
Gift to charitable organization	4,500

Example 6
Wei Longting has the following expenses that he is considering for his charitable contributions deduction. Which can he deduct?

Church donations	$2,000
American Heart Association	500
500 miles for car travel for Boy's Club (not reimbursed)	
Chamber of Commerce dues	1,000
One day of work for Boy's Club which Mr. Longting values at	100
Money given to unemployed relative	200
Tuition for son to attend Vanguard School	2,500

NOTES:

Casualty and Theft Losses

Part of an unreimbursed casualty or theft loss may be deductible. But like medical and dental expenses, casualty and theft losses must be very large to get a deduction. The first $100 of each loss is not deductible. You must further reduce your deductible loss by 10% of your adjusted gross income. Without a sizeable loss in a year, you are not likely to have any tax savings here. To claim a casualty or theft loss, you must complete and attach *Form 4684, Casualties and Thefts*. Show the deductible amount on Line 19.

Job Expenses and Most Other Miscellaneous Deductions

In some cases, you must complete and attach *Form 2106, Employee Business Expenses*.

Example 7
Barbara Finley.

> *Answer: Her job expense deduction is reduced by the AGI limitation. Only the amount over $600 (2% x $30,000) is deductible. Barbara's job expense deduction is $200.*

NOTES:

Casualty and Theft Losses

A casualty loss is property loss that results from a sudden, unexpected, or unusual identifiable event such as fire, storm, flood, earthquake, or automobile accident. Theft is the unlawful taking of money or property with the intent to deprive the owner of it.

Job Expenses and Most Other Miscellaneous Deductions

Certain employee expenses, expenses associated with earning income, and other qualifying expenses that were not reimbursed are deducted as miscellaneous deductions on Lines 20-25.

Example 7
Barbara Finley is a third-grade teacher who files a Form 1040 tax return with a single filing status. Her adjusted gross income is $30,000. During the year, she has spent money on union dues, teaching publications, teaching supplies, instructional videotapes, and a fee for job placement. The total of these qualified expenses was $800 and there was no reimbursement. There were no other deductions in the category of job expenses and miscellaneous deductions. What amount may Barbara deduct as job expenses?

NOTES:

Total Itemized Deductions

NOTES:

The Line 28 calculation is not so simple for taxpayers with a large amount of adjusted gross income. If AGI on Line 34 of Form 1040 for 1999 exceeds $126,600 for a joint tax return ($63,300 for married filing separate return), the amount of itemized deductions may be reduced. There is a complex "phaseout" provision using a special worksheet to calculate the itemized deductions amount on Line 28. The total of some of the itemized deductions is reduced by 3% of the amount by which AGI exceeds $126,600.

There are certain limitations to this phaseout. The phaseout does not apply to itemized deductions for medical expenses, casualty and theft losses, investment interest, and gambling losses. For the deductions subject to the phaseout, the reduction can be no more than 80%. *Instructions for Form 1040* contains a worksheet to determine your phaseout and allowable amount for Line 28. Because of the phaseout provision, some high-income taxpayers may not receive the full benefit of the itemized deductions calculated on Lines 1 through 27 of Schedule A.

Itemized Deductions

Most miscellaneous itemized deductions are subject to a limit based on adjusted gross income. The amount deductible is the amount by which the total of all miscellaneous deductions exceeds 2% of the AGI. A list of some deductible miscellaneous expenses follows. For a more complete list and more detailed information, see *Publication 529, Miscellaneous Deductions.*

- Expenses of looking for a new job in your present occupation
- Investment counsel fees
- Investment expenses (other than interest)
- Tax counsel and assistance
- Fees paid to IRA custodian, and
- Safe deposit box rental for investment documents.

Other Miscellaneous Deductions

There are a few miscellaneous deductions that are not subject to the 2% AGI limitation. These deductions entered on Line 27. Deductions that can be included on Line 27 include net gambling losses and employee expenses related to a worker disability.

Total Itemized Deductions

The amount of total itemized deductions on Line 28 is figured in one of two ways. For most taxpayers, the amount of itemized deductions is simply the sum of the basic components: Lines 4, 9, 14, 18, 19, 26, and 27. If your total itemized deductions on Line 28 are greater than your standard deduction, carry this amount over to Line 36 of Form 1040. If Line 28 is less than your standard deduction, you usually will not file Schedule A. (With a filing status of married filing separate return, there is an exception to this rule. If one spouse itemizes deductions, the other spouse must also itemize--even if the total of itemized deductions is less than the standard deduction.)

NOTES:

Schedule A, Itemized Deductions

NOTES:

Case 1
The Grays.

> *Answer: The Grays will have significant tax savings by itemizing their deductions. The total of their itemized deductions is $8,450, compared to the standard deduction of $7,200 for the filing status of married filing joint return. The total of $8,450 is the sum of.*

Medical and dental	*$ 0*
Taxes	*1,980*
Interest	*5,500*
Gifts to Charity	*750*
Jobs and Miscellaneous	*180*

Schedule A, Itemized Deductions

Case 1
Kevin and Jean Gray are filing a joint tax return with Form 1040. They will itemize their deductions and file Schedule A if the total of their itemized deductions is greater than their standard deduction. Their adjusted gross income is $28,000. A list of their expenses relating to Schedule A is shown below. They purchased their home in 1987 and the mortgage is held by a commercial mortgage company.

Medical expenses (not reimbursed)	
Doctor's fees	$ 590
Prescription drugs	300
Taxes	
State income tax	$1,200
Real estate tax	780
Interest	
Mortgage	$5,500
Contributions	
Church	$ 600
United Way	150
Miscellaneous	
Union dues	$ 150
IRA custodian fee	30

Using this information, compute the Gray's Schedule A. Determine whether or not they should file Schedule A with their tax return.

NOTES:

Schedule A, Itemized Deductions

Case 2
Sally Washington.

> *Answer: Total itemized deductions for Sally Washington comes to $10,891.26. This exceeds the standard deduction for single filing status so she will file Schedule A with her tax return. The auto travel for medical care is calculated at 10 cents per mile. The auto travel for charitable work is calculated at 14 cents per mile. State and local sales taxes are not deductible under taxes paid. The $500 gift to Karen Carter is not deductible. Personal gifts are not deductible—no matter what the reason. The tuition expense is not deductible on Schedule A. Since Sally is a medical assistant, an English literature course would not be considered education for furthering her profession. However, she may be able to take advantage of education credits (Line 44 of Form 1040). Sally's deduction by category are:*

Medical and dental	*$ 772.50 **
Taxes	*2,796.00*
Interest	*5,850.00*
Gifts to Charity	*1,972.76 ***
Jobs and Miscellaneous	*0.00 ****

Tax Tips:

* *Medical expenses have to exceed 7.5% of the AGI.*

** *Mileage for charitable travel is 14 cents per mile.*
Mileage for medical related expense is 10 cents per mile.

*** *Job and miscellaneous expenses have to exceed 2% of the AGI.*

NOTES:

Schedule A, Itemized Deductions

NOTES:

Case 2

Sally Washington is employed as a medical assistant and has a filing status of single with no dependents. She will file Schedule A if the total of her itemized deductions is greater than her standard deduction. Her adjusted gross income is $34,500. Below is a list of expenses for the year:

Medical expenses (not reimbursed)	
Health Insurance	$ 600
Doctor's fees	900
Hospitalization costs	1,500
Prescription drugs	300
600 miles of auto travel for medical expenses (10 cents per mile)	60
Taxes	
State income tax	$1,540
Real estate tax	1,256
State and local sales tax	800
Interest	
Mortgage	$5,850
Contributions	
Church	$ 927
Cash to charitable organizations	324
Gift to Karen Carter (unemployed friend)	500
1584 miles for auto travel for work for charitable organizations (14 cents per mile)	221.76
Miscellaneous	
IRA custodian fee	$ 20
Safe deposit box	50
Tuition for English literature courses	800

Using this information, compute Sally's Schedule A. Determine whether or not she should file Schedule A with her tax return. Hint: Three of the expenses listed in this case are not allowable deductions for Schedule A.

Sample Schedule A, Itemized Deductions

SCHEDULES A&B
(Form 1040)
Department of the Treasury
Internal Revenue Service (99)

Schedule A—Itemized Deductions

(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

Name(s) shown on Form 1040

Medical and Dental Expenses		Caution. Do not include expenses reimbursed or paid by others.		
	1	Medical and dental expenses (see page A-1)	1	
	2	Enter amount from Form 1040, line 34 . 2		
	3	Multiply line 2 above by 7.5% (.075)	3	
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4
Taxes You Paid (See page A-2.)		State and local income taxes . . .	5	
		Real estate taxes (see page A-2) . .	6	
		Personal property taxes	7	
		Other taxes. List type and amount ▶	8	
	9	Add lines 5 through 8 .		9
Interest You Paid (See page A-3.)		Home mortgage interest and points reported to you on Form 1098	10	
		Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶		
Note. Personal interest is not deductible.	12	Points not reported to you on Form 1098. See page A-3 for special rules	12	
	13	Investment interest. Attach Form 4952 if required. (See page A-3.)	13	
	14	Add lines 10 through 13		14
Gifts to Charity If you made a gift and got a benefit for it, see page A-4.		Gifts by cash or check. If you made any gift of $250 or more, see page A-4	15	
	16	Other than by cash or check. If any gift of $250 or more, see page A-4. You **MUST** attach Form 8283 if over $500	16	
	17	Carryover from prior year	17	
	18	Add lines 15 through 17		18
Casualty and Theft Losses	19	Casualty or theft loss(es). Attach Form 4684. (See page A-5.) .		19
Job Expenses and Most Other Miscellaneous Deductions	20	Unreimbursed employee expenses—job travel, union dues, job education, etc. You **MUST** attach Form 2106 or 2106-EZ if required. (See page A-5.) ▶	20	
	21	Tax preparation fees		
(See page A-5 for expenses to deduct here.)	22	Other expenses—investment, safe deposit box, etc. List type and amount ▶..................................	22	
	23	Add lines 20 through 22		
	24	Enter amount from Form 1040, line 34 . 24		
	25	Multiply line 24 above by 2% (.02)	25	
	26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-		26
Other Miscellaneous Deductions		Other—from list on page A-6. List type and amount ▶		27
Total Itemized Deductions	28	Is Form 1040, line 34, over $126,600 (over $63,300 if married filing separately)? ☐ **No.** Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 36. ☐ **Yes.** Your deduction may be limited. See page A-6 for the amount to enter.	▶	28

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11330X Schedule A (Form 1040) 1999

Sample Schedule A, Itemized Deductions

Answers to Quiz:

Allow students 10 minutes to answer the questions. Discuss the answers and summarize the lesson.

1. d Schedule A is used to file tax deductions, not tax credits.
2. a Medical and dental expenses are reduced by 7.5% of AGI.
3. b Sales tax is not deductible.
4. a Only interest paid on a home mortgage is deductible.
5. d IRA deposits are an "adjustment to income."
6. c Contributions to charitable organizations are deductible. Keep track of all cash contributions made or get a receipt.
7. d Gifts must be to approved charitable organizations and not to family members.

Summary

Key Points to Remember

- Schedule A is used to file itemized deductions. Schedule A is attached to Form 1040.
- All medical and dental expenses are not deductible.
- You can choose to itemize deductions or use standard deductions. If you itemize, you must file a Schedule A.

Quiz:

Circle the correct answer for each question.

1. On Schedule A, you can calculate your tax credit for the following areas:
   a. child care.
   b. elderly or disabled.
   c. earned income.
   d. none of the above.

2. Which of the following itemized deductions is reduced by a percentage of adjusted gross income?
   a. Medical and dental expenses.
   b. Taxes you paid.
   c. Gifts to charity.
   d. Interest you paid.

3. Which of the following can you deduct under "Taxes You Paid"?
   a. Sales tax paid to a state government.
   b. Income tax paid to a state government.
   c. Both "a" and "b."
   d. Neither "a" nor "b."

4. Interest paid of $6,000 is fully deductible if the interest is for:
   a. a home mortgage.
   b. an automobile loan.
   c. credit card balances.
   d. a loan you received from your parents.

5. Which of the following is not included as part of *Schedule A, Itemized Deductions*?
   a. Gifts to charity.
   b. Real estate taxes paid.
   c. Casualty and theft losses.
   d. Deposits into an individual retirement arrangement.

6. Under Gifts to Charity:
   a. contributions by check are deductible.
   b. cash contributions are deductible.
   c. Both "a" and "b."
   d. Neither "a" nor "b."

7. Under "Gifts to Charity", you cannot deduct cash given to:
   a. the United Way Fund in your city.
   b. the First Baptist Church in your city.
   c. the American Cancer Society.
   d. a relative who has recently lost her job.

Instructor's Guide
Becoming Taxwise
Lesson 6: Schedule B, Interest and Dividend Income

90 minutes

Introduction:

There are many types of interest and dividend income. Financial institutions must send each account owner a Form 1099 in January of each year. The Form 1099 lists the amount of interest or dividend income received the prior calendar year. Taxpayers use these forms to report interest and dividend income.

Objectives:

After this session, students will be able to:

- identify the Form 1099 received and the purpose of this form
- use the Forms 1099 received to complete Schedule B
- correctly prepare Schedule B.

Interest and Dividend Income

If either your taxable interest or your taxable dividend income is more than $400, you must support Lines 8a and/or 9 of Form 1040 by attaching Schedule B. If neither your interest nor your dividend income exceeds $400, Schedule B normally is not required. You can simply report your interest and dividend income on Lines 8a and 9 of Form 1040.

Form 1099 DIV and Form 1099 INT: Your financial institutions which hold your accounts must provide to you a Form 1099 in January of each year. This form reports the amount of dividends (1099 DIV) and interest (1099 INT) you earned on each account.

Schedule B, Interest and Dividend Income

Some financial institutions use the terms "interest" and "dividends" in a confusing way. Credit unions and mutual savings banks sometimes use the term "dividends" to refer to their interest payments. However, for tax purposes, dividends are payments related to the ownership of corporate stock. Periodic payments on money deposited in an institution is interest, no matter what the institution calls it.

EQUIPMENT NEEDED:

Chalk board or flip chart
Overhead projector and transparencies
Chalk or markers

CLASS TO INCLUDE:

Introduction	10 minutes
Discussion & Activities	60 minutes
Quiz & Summary	20 minutes

Student's Guide
Becoming Taxwise
Lesson 6: Schedule B, Interest and Dividend Income

Introduction:

Schedule B is used to report interest and dividend income. Interest income includes payments you received for money you lent to or deposited with someone or some institution. If you have interest or dividend income, your financial institution will send you a Form 1099 in January. You must use these forms to determine your income and report the income using Schedule B.

During this lesson you will learn:

- that interest and dividend interest is income and subject to tax
- how interest income and dividend income are reported.
- how to read the 1099-INT and 1099-DIV forms.
- how to correctly prepare Schedule B.

Dividend and Interest Income:

All income is subject to tax. The money you earn on savings accounts (interest) and the money you earn on investments (dividends) must be reported as income.

Terminology

Dividend income - Dividend income includes payments out of a corporation's profit to owners of its shares of stock. People receive interest and dividend income when they provide their money to others by lending it, depositing it, or buying corporate bonds and stocks.

Interest income - Money earns interest when it:

- is deposited in accounts in banks and other financial institutions (including credit unions).
- is used to buy certificates of deposit or bonds.
- is loaned to another person or business.

PUBLICATIONS:

550	*Investment Income*
551	*Basis of Assets*
564	*Mutual Fund Distribution*

TELE-TAX TOPICS:

403	*Interest Received*
404	*Dividends*

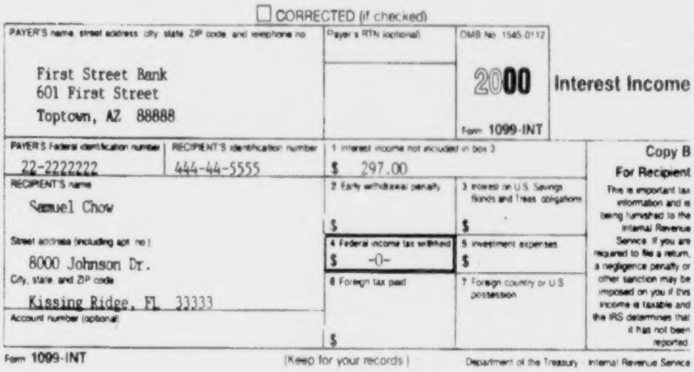
Discussion & Activities:

Schedule B, Part I: Interest Income

The main category of interest exempt from federal income taxation is the interest from bonds issued by state and local governments. These tax-exempt bonds are often called municipal bonds. This interest usually is not reported on Schedule B, but is listed on Line 8b of Form 1040.

You might think that interest from an Individual Retirement Arrangement would be listed as tax-exempt interest, but this is not the case. IRA interest is tax deferred, not tax-exempt. Tax will be paid on IRA interest when it is distributed upon retirement. The interest is not tax-exempt. IRA interest is not involved in either Line 8b of Form 1040 or Schedule B of Form 1040.

NOTE: Make a transparency of Form 1099-INT. A copy of this form can be found in Appendix B.



☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.
First Street Bank
601 First Street
Toptown, AZ 88888

Payer's RTN (optional)

OMB No. 1545-0112

2000

Form 1099-INT

Interest Income

PAYER'S Federal identification number: 22-2222222

RECIPIENT'S identification number: 444-44-5555

1 Interest income not included in box 3: $ 297.00

RECIPIENT'S name: Samuel Chow

2 Early withdrawal penalty: $

3 Interest on U.S. Savings Bonds and Treas. obligations: $

Street address (including apt. no.): 8000 Johnson Dr.

4 Federal income tax withheld: $ -0-

5 Investment expenses: $

City, state, and ZIP code: Kissing Ridge, FL 33333

6 Foreign tax paid: $

7 Foreign country or U.S. possession

Account number (optional)

Copy B
For Recipient
This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Form 1099-INT (Keep for your records.) Department of the Treasury - Internal Revenue Service

Form 1099-INT

If you withdraw funds from a certificate account before the maturity date of the account, you may be charged an interest penalty. This forfeited interest is shown in Box 2 of Form 1099-INT. You must report on Line 8a of Form 1040, the gross amount of the interest paid or credited to the account during the year without subtracting the forfeited interest penalty. (The forfeited interest penalty is deducted as an adjustment to income on Line 30 of Form 1040.)

Boxes 5 and 6 involve foreign transactions, which are beyond the scope of this lesson.

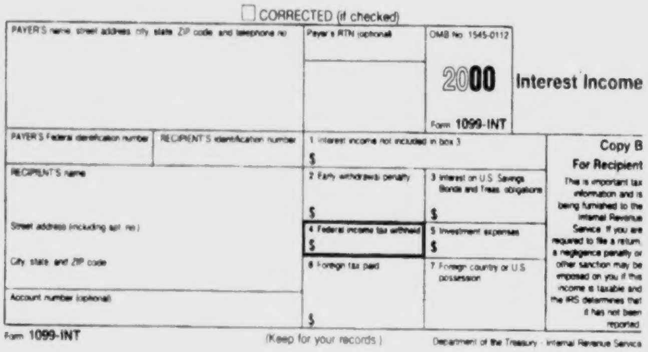
NOTES:

Discussion & Activities:

Schedule B, Part I: Interest Income

You must include interest received or credited to your account in taxable income unless it is specifically tax-exempt by law. Most interest received must be included in income. This includes interest received from savings and checking accounts and from loans made to other persons. You must report interest earned from an account in a bank, credit union, or similar financial institution in the year that it is received. Interest is considered received when it is credited to the account and subject to withdrawal, even if it is not entered in your passbook.

The main category of interest exempt from federal income taxation is the interest from bonds issued by state and local governments. These tax-exempt bonds are often called municipal bonds. This interest usually is not reported on Schedule B, but is listed on Line 8b of Form 1040.



☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.

Payer's RTN (optional)

OMB No. 1545-0112

2000

Form 1099-INT

Interest Income

PAYER'S Federal identification number

RECIPIENT'S identification number

1 Interest income not included in box 3
$

RECIPIENT'S name

2 Early withdrawal penalty
$

3 Interest on U.S. Savings Bonds and Treas. obligations
$

Street address (including apt. no.)

4 Federal income tax withheld
$

5 Investment expenses
$

City, state, and ZIP code

6 Foreign tax paid
$

7 Foreign country or U.S. possession

Account number (optional)

Copy B
For Recipient

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Form 1099-INT (Keep for your records.) Department of the Treasury - Internal Revenue Service

Form 1099-INT

Banks and other financial institutions use Form 1099-INT to report interest paid to the depositor's account. Copies are sent to the person receiving the interest and to the IRS. These forms help you (and the IRS) keep track of interest earned. Form 1099-INT generally does not need to be attached to a completed tax return and sent to the IRS like a Form W-2 for wage and salary income.

Box 1 of Form 1099-INT shows taxable interest that must be reported. Box 3 shows interest from U.S. Savings Bonds.

NOTES:

Reporting Interest Income on Schedule B

NOTES:

The form mentions interest income from seller-financed mortgages. This would be a situation in which you have sold a home and allowed the buyer to make payments of the price of the home over time with interest. If you sold your home to a buyer with a seller-financed mortgage and the buyer uses the home as his or her residence, you must show the buyer's name, address, and Social Security number on Schedule B. You must also give the buyer your Social Security number.

Reporting Interest Income on Schedule B

List the names of payers and amounts of interest received in the space provided under Line 1. If several accounts are with the same bank, list the interest from each account separately.

Enter on Form 1040, Line 8a, the total amount of taxable interest shown on Schedule B, Part I, Line 4.

NOTES:

Schedule B, Part II: Dividend Income

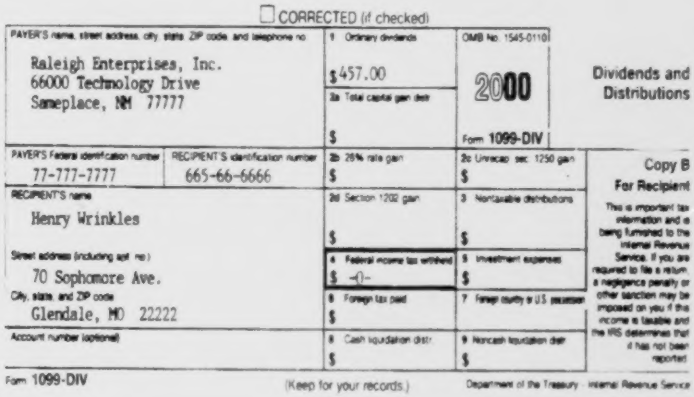
Taxpayers may receive any of the following kinds of distributions:

- ordinary dividends,
- capital gains distributions, or
- nontaxable distributions.

Most distributions are paid in cash. However, taxpayers may receive additional stock, stock rights, other property, or services.

Ordinary Dividends. Many corporations allow a stockholder to receive dividends in the form of additional corporate stock instead of a money payment. Ordinary stock dividends are counted as taxable income if the taxpayer had a choice of receiving the stock dividends or cash.

Form 1099-DIV. Form 1099-DIV, Copy B is for your information and does not need to be attached to a completed return.



☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.
Raleigh Enterprises, Inc.
66000 Technology Drive
Sameplace, NM 77777

1 Ordinary dividends $457.00
2a Total capital gain distr. $
OMB No. 1545-0110
2000
Form 1099-DIV
Dividends and Distributions

PAYER'S Federal identification number 77-777-7777
RECIPIENT'S identification number 665-66-6666
2b 28% rate gain $
2c Unrecap. sec. 1250 gain $

RECIPIENT'S name
Henry Wrinkles

2d Section 1202 gain $
3 Nontaxable distributions $

Street address (including apt. no.)
70 Sophomore Ave.

4 Federal income tax withheld $ -0-
5 Investment expenses $

City, state, and ZIP code
Glendale, MO 22222

6 Foreign tax paid $
7 Foreign country or U.S. possession

Account number (optional)

8 Cash liquidation distr. $
9 Noncash liquidation distr. $

Copy B
For Recipient
This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Form 1099-DIV (Keep for your records.) Department of the Treasury - Internal Revenue Service

NOTES:

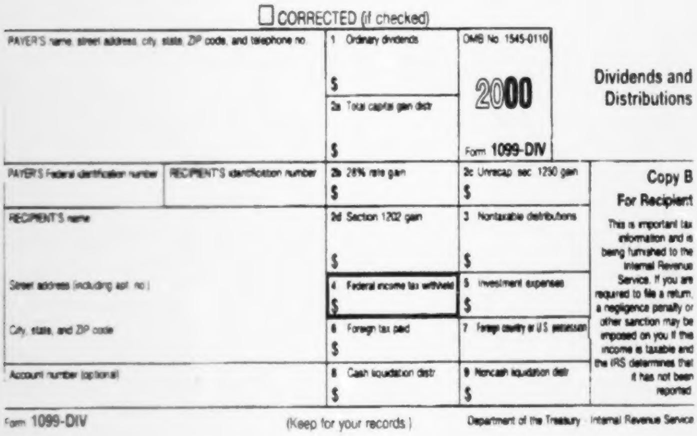
Schedule B, Part II: Dividend Income

Dividends are distributions paid by corporations to stockholders or shareholders.

If total dividends are over $400, the source and the amount of all dividends received must be listed on Line 5, Part II of Schedule B. Included on this line are ordinary dividends as indicated by 1099-DIV forms. List each amount and the payer(s) separately. Add the amounts on Line 5, enter the total on Line 6, and enter this total on Line 9 of Form 1040.

Ordinary Dividends. Ordinary dividends are distributions from the earnings or profits of a corporation to its shareholder. Most dividends are paid to stockholders quarterly.

Form 1099-DIV. Just as interest income had a special 1099 form, dividend income is reported to stockholders (and the IRS) on Form 1099-DIV, Dividends and Distributions.



☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.

1 Ordinary dividends $

2a Total capital gain distr. $

OMB No. 1545-0110

2000

Form 1099-DIV

Dividends and Distributions

PAYER'S Federal identification number

RECIPIENT'S identification number

2b 28% rate gain $

2c Unrecap. sec. 1250 gain $

Copy B

For Recipient

RECIPIENT'S name

2d Section 1202 gain $

3 Nontaxable distributions $

Street address (including apt. no.)

4 Federal income tax withheld $

5 Investment expenses $

City, state, and ZIP code

6 Foreign tax paid $

7 Foreign country or U.S. possession

Account number (optional)

8 Cash liquidation distr. $

9 Noncash liquidation distr. $

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Form 1099-DIV

(Keep for your records.)

Department of the Treasury - Internal Revenue Service

NOTES:

Answers to Activities:

NOTES:

Case 1
Glenda Overstreet.

Answer: Glenda Overstreet must file Schedule B with her Form 1040 tax return. While her dividend income does not exceed $400, her interest income of $1,570 requires Schedule B. The $1,570 of interest from Line 4 of Schedule B is entered on Line 8a of Form 1040. The $340 of dividends is entered on Line 9 of Form 1040.

Case 2
Carlos Rodriguez.

Answer: All of Carlos Rodriguez's interest income is taxable. All the dividend income is taxable. His Schedule B would show $600 of taxable interest and $1,100 of taxable dividends.

Case 3
Clarisa Baker.

Answer: Since Clarisa Baker's interest income is less than $400, she does not need to file Schedule B with her Form 1040 tax return. $350 would be entered on Form 1040, Line 8a (taxable interest income).

Activities:

Case 1

Glenda Overstreet is filing a Form 1040 tax return. She has interest and dividend income as shown below. All her dividend income is ordinary income.

Interest Income	
State Bank of Ohio	$ 550
Security Bank of Cleveland	190
Lake Industrial Credit Union	830
Dividend Income	
Acme Steel, Inc.	$ 150
Apple, Inc.	190

Complete Schedule B for Glenda Overstreet

Case 2

Carlos Rodriquez is filing a Form 1040 tax return. He has several investments. Determine the income from the following list which he has to claim as taxable income.

Interest Income	
First National Bank	$ 200
Municipal Credit Union	400
Dividend Income	
IBM (cash dividend)	$ 100
ABC Realty (stock dividend)	1,000

Complete Schedule B for Carlos Rodriguez.

Case 3

Clarisa Baker is filing a Form 1040 tax return. Her interest income is listed below. She has no dividend income.

Interest Income	
Second Interstate Bank	$ 150
Guarantee Savings Bank	200

How would you handle the interest income on her tax return?

NOTES:

Sample Form Schedule B

Schedules A&B (Form 1040) 1999 | OMB No. 1545-0074 | Page **2**

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side.

Your social security number

Schedule B—Interest and Ordinary Dividends

Attachment Sequence No. **08**

Note. If you had over $400 in taxable interest, you must also complete Part III.

Part I Interest

(See page B-1 and the instructions for Form 1040, line 8a.)

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

			Amount
1	List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ▶	1	
2	Add the amounts on line 1	2	
3	Excludable interest on series EE and I U.S. savings bonds issued after 1989 from Form 8815, line 14. You **MUST** attach Form 8815	3	
4	Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ▶	4	

Note. If you had over $400 in ordinary dividends, you must also complete Part III.

Part II Ordinary Dividends

(See page B-1 and the instructions for Form 1040, line 9.)

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

			Amount
5	List name of payer. Include only ordinary dividends. If you received any capital gain distributions, see the instructions for Form 1040, line 13 ▶	5	
6	Add the amounts on line 5. Enter the total here and on Form 1040, line 9 ▶	6	

Part III Foreign Accounts and Trusts

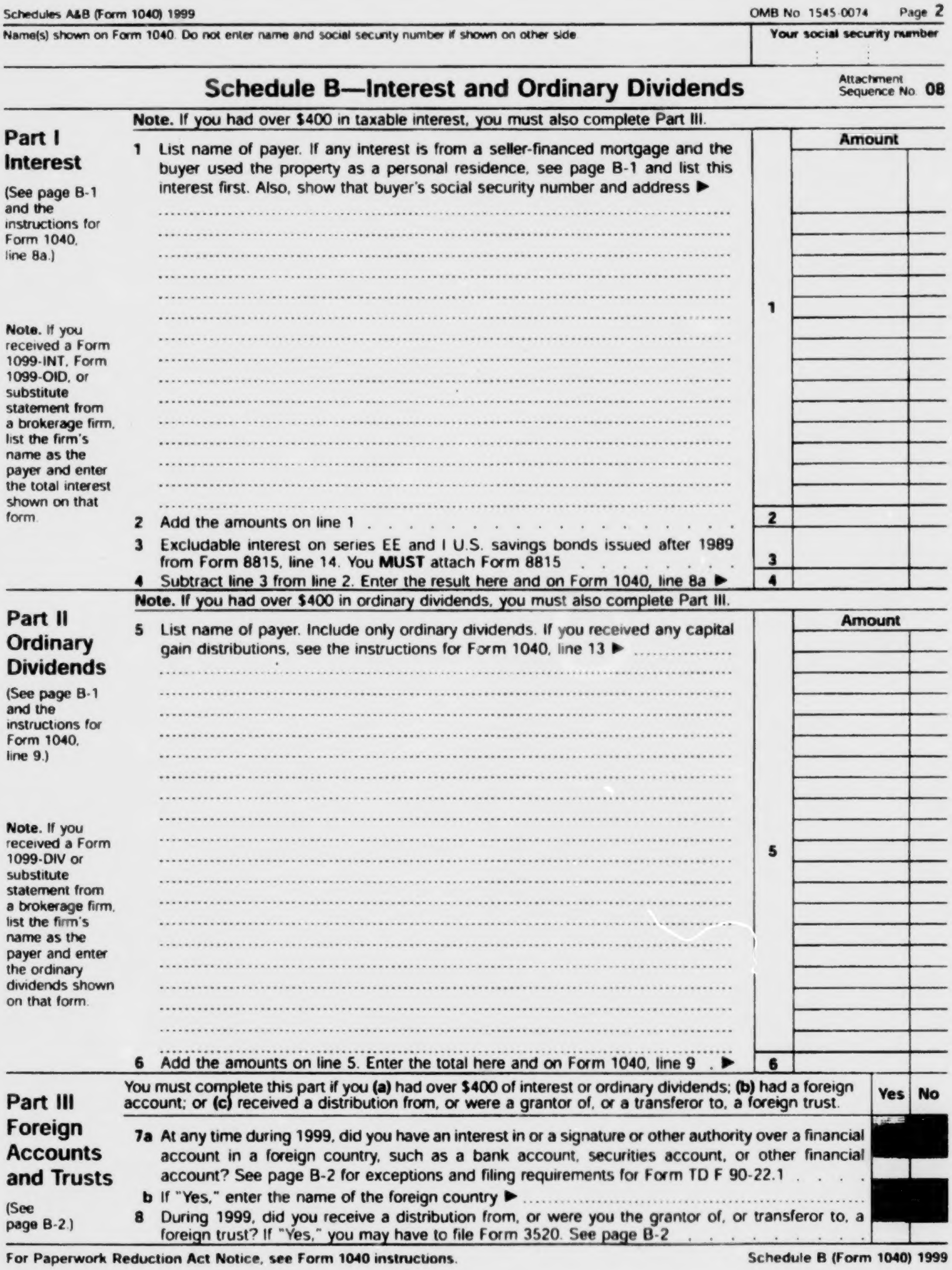
(See page B-2.)

		Yes	No
	You must complete this part if you **(a)** had over $400 of interest or ordinary dividends; **(b)** had a foreign account; or **(c)** received a distribution from, or were a grantor of, or a transferor to, a foreign trust.		
7a	At any time during 1999, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1		
b	If "Yes," enter the name of the foreign country ▶		
8	During 1999, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See page B-2		

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule B (Form 1040) 1999

Sample Form Schedule B



Schedules A&B (Form 1040) 1999 OMB No. 1545-0074 Page **2**

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side | **Your social security number**

Schedule B—Interest and Ordinary Dividends

Attachment Sequence No. **08**

Part I Interest

(See page B-1 and the instructions for Form 1040, line 8a.)

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

Note. If you had over $400 in taxable interest, you must also complete Part III.

		Amount
1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ▶	1	
2 Add the amounts on line 1	2	
3 Excludable interest on series EE and I U.S. savings bonds issued after 1989 from Form 8815, line 14. You **MUST** attach Form 8815	3	
4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ▶	4	

Part II Ordinary Dividends

(See page B-1 and the instructions for Form 1040, line 9.)

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

Note. If you had over $400 in ordinary dividends, you must also complete Part III.

		Amount
5 List name of payer. Include only ordinary dividends. If you received any capital gain distributions, see the instructions for Form 1040, line 13 ▶	5	
6 Add the amounts on line 5. Enter the total here and on Form 1040, line 9 ▶	6	

Part III Foreign Accounts and Trusts

(See page B-2.)

You must complete this part if you **(a)** had over $400 of interest or ordinary dividends; **(b)** had a foreign account; or **(c)** received a distribution from, or were a grantor of, or a transferor to, a foreign trust.

	Yes	No
7a At any time during 1999, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1		
b If "Yes," enter the name of the foreign country ▶		
8 During 1999, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See page B-2		

For Paperwork Reduction Act Notice, see Form 1040 instructions. **Schedule B (Form 1040) 1999**

Answers to Quiz (Part 1):

Allow students 10 minutes to answer the questions. Discuss the answers and summarize the lesson.

1. b Interest paid is listed on Schedule A, not Schedule B.

2. a If taxable interest is under $400, you do not need to complete Schedule B.

3. b Taxable interest under $400 can be noted on Form 1040.

4. a Schedule A is for interest you pay. Schedule B is for interest you earn.

5. b Dividends and interest income are often confused.

6. c Dividend and interest income is noted in Part II, of Schedule B.

NOTES:

Quiz (Part 1):

Circle the correct answer to each question.

1. Interest for Schedule B refers to:
   a. interest you have paid during the year.
   b. interest you have received during the year.
   c. Both "a" and "b."
   d. Neither "a" nor "b."

2. For taxpayers filing Form 1040, Schedule B must be completed if:
   a. taxable interest is over $400.
   b. IRA deduction is over $400.
   c. taxable interest is over $300.
   d. IRA deduction is over $ 1,000.

3. For Form 1040, total taxable interest of $400 or less:
   a. must be reported on Schedule B.
   b. must be reported on Form 1040.
   c. Both "a" and "b."
   d. Neither "a" nor "b."

4. If you paid $6,000 interest on a home mortgage loan, this amount would be entered:
   a. on Schedule A
   b. on Schedule B.
   c. Both "a" and "b."
   d. Neither "a" nor "b."

5. Which of the following is income received as a result of owning corporate stock?
   a. Interest.
   b. Dividends.
   c. Both "a" and "b."
   d. Neither "a" nor "b."

6. Schedule B, Part II, allows you to enter your:
   a. salary income.
   b. unemployment compensation benefits.
   c. dividend income.
   d. Social Security benefits.

Answers to Quiz (Part 2):

7. a Interest income over $400 is noted on Schedule B.

8. d Schedule B is used for income from interest and dividends.

9. c They are completed by the organizations that pay interest or dividends.

10. c Dividends are paid by corporations.

Summary

Key Points to Remember

- Money from interest and dividends is income and must be reported.
- Interest income over $400 must be noted on Schedule B.
- Financial institutions must send you a Form 1099-INT showing interest earned each year.
- Corporations must send you a Form 1099-DIV showing dividends earned each year.
- Schedule B is attached to Form 1040 when completed.

Quiz (Part 2):

Circle the correct answer to each question.

7. Schedule B, Part I, allows you to enter your:
   a. interest income.
   b. business income (net profit from a business enterprise).
   c. Social Security benefits.
   d. earnings from a credit union savings account.

8. Schedule B is most closely related to:
   a. subtractions from income to determine taxable income.
   b. tax credits.
   c. filing status.
   d. income.

9. Forms 1099-INT and 1099-DIV are filled out by:
   a. the taxpayer.
   b. the IRS.
   c. a bank or corporation.
   d. the taxpayer's employer.

10. A taxpayer may receive a Form 1099-DIV from:
   a. the taxpayer's employer.
   b. the IRS.
   c. a corporation.
   d. any of the above

Instructor's Guide
Becoming Taxwise
Lesson 7: Schedule C, Profit or Loss from Business

90 minutes

Introduction:

Many taxpayers own small businesses or have income from business related activities such as tutoring, consulting, and baby-sitting. A Schedule C must be filed by sole proprietors as part of Form 1040.

Objectives:

After this session, students will:

- understand the purpose of the Schedule C.
- determine whether to include a Schedule C or a Schedule C-EZ.
- complete the Schedule C.

Schedule C: Profit or Loss From Business

Sole proprietors or those who are self-employed must file a Schedule C to show the profit or loss from their business activities. This could include businesses such as small retail stores and restaurants, or being self-employed as an accountant, tutor or computer consultant. Schedule C is not for partnerships or corporate forms of business enterprise.

If you have more than one business, you must file a Schedule C for each business.

NOTES:

EQUIPMENT NEEDED:

Chalk board or flip chart
Overhead projector and transparencies
Chalk or markers

CLASS TO INCLUDE:

Introduction	10 minutes
Discussion & Activities	60 minutes
Quiz & Summary	20 minutes

Student's Guide
Becoming Taxwise
Lesson 7: Schedule C, Profit or Loss from Business

Introduction:

Income from a small business or self-employment must be recorded on Schedule C and attached to Form 1040.

During this lesson you will learn:

- who must complete the Form Schedule C.
- when a Schedule C must be included with Form 1040.
- requirements for using the Schedule C or Schedule C-EZ.
- how to file a Schedule C.

Schedule C: Profit or Loss From Business

One frequently used schedule that supports Form 1040 is *Schedule C, Profit or Loss From Business.* For some taxpayers, their ownership and operation of a business enterprise is their sole source of income. Completing Schedule C would be their main task at tax preparation time.

Other taxpayers earn most of their income in wages or salaries, but run a business enterprise on a part-time basis. For example, a person may work as a salaried employee as a carpenter in a manufacturing plant, and do home remodeling on weekends. Profit (or loss) from the home remodeling would be reported on Schedule C.

Terminology

Accounting methods - There are two common accounting methods used by businesses: cash and accrual. In the cash method of business accounting, income is reported for the year in which payment is actually received. Expenses are usually reported for the year they are actually paid. In the accrual method, income is reported for the year that it is actually earned, and expenses are deducted in the year they are incurred.

Depreciation - Depreciation relates to capital equipment or buildings used in your business. Capital equipment has the characteristic that it lasts several years before wearing out. For a major capital outlay, such as for manufacturing equipment, the law usually does not allow a deduction for the full cost in the year you purchase the equipment. The general idea behind the depreciation deduction is that you take a partial deduction each year as you "use up" part of the capital equipment each year.

continued on page 106

PUBLICATIONS:

334	*Tax Guide for Small Business*
463	*Travel, Entertainment, Gift and Car Expenses*
535	*Business Expenses*
946	*How to Depreciate Property*

TELE-TAX TOPICS: ☎

509	*Business Use of Home*
520	*Business Use of Car*
511	*Business Travel Expenses*
512	*Business Entertainment Expenses*

Sample Form Schedule C

SCHEDULE C
(Form 1040)
Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business

(Sole Proprietorship)
▶ Partnerships, joint ventures, etc., must file Form 1065 or Form 1065-B.
▶ Attach to Form 1040 or Form 1041. ▶ See Instructions for Schedule C (Form 1040).

OMB No. 1545-0074
1999
Attachment Sequence No. 09

Social security number (SSN)

A Principal business or profession, including product or service (see page C-1)

B Enter code from pages C-8 & 9 ▶

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

E Business address (including suite or room no.) ▶ ....
City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶ ....

G Did you "materially participate" in the operation of this business during 1999? If "No," see page C-2 for limit on losses . ☐ Yes ☐ No

H If you started or acquired this business during 1999, check here . . . . ▶ ☐

Part I Income

1	Gross receipts or sales. Caution: *If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-2 and check here* . ▶ ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42 on page 2)	4	
5	Gross profit. Subtract line 4 from line 3	5	
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6	
7	Gross income. Add lines 5 and 6 ▶	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		19	Pension and profit-sharing plans	19	
9	Bad debts from sales or services (see page C-3) . . .	9		20	Rent or lease (see page C-4):		
				a	Vehicles, machinery, and equipment .	20a	
10	Car and truck expenses (see page C-3)	10		b	Other business property . .	20b	
				21	Repairs and maintenance . .	21	
11	Commissions and fees . . .	11		22	Supplies (not included in Part III) .	22	
12	Depletion	12		23	Taxes and licenses	23	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-3) . . .	13		24	Travel, meals, and entertainment:		
				a	Travel	24a	
				b	Meals and entertainment .		
14	Employee benefit programs (other than on line 19)	14		c	Enter nondeductible amount included on line 24b (see page C-5) .		
15	Insurance (other than health) .	15					
16	Interest:						
a	Mortgage (paid to banks, etc.) .	16a		d	Subtract line 24c from line 24b .	24d	
b	Other	16b		25	Utilities	25	
17	Legal and professional services	17		26	Wages (less employment credits) .	26	
18	Office expense	18		27	Other expenses (from line 48 on page 2)	27	

28	Total expenses before expenses for business use of home. Add lines 8 through 27 in columns ▶	28	
29	Tentative profit (loss). Subtract line 28 from line 7	29	
30	Expenses for business use of your home. Attach Form 8829	30	
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on Form 1040, line 12, and ALSO on Schedule SE, line 2 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If a loss, you MUST go on to line 32.	31	
32	If you have a loss, check the box that describes your investment in this activity (see page C-6). • If you checked 32a, enter the loss on Form 1040, line 12, and ALSO on Schedule SE, line 2 (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you MUST attach Form 6198.		32a ☐ All investment is at risk. 32b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11334P Schedule C (Form 1040) 1999

Sample Form Schedule C

SCHEDULE C
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business

(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065 or Form 1065-B.

▶ Attach to Form 1040 or Form 1041. ▶ See Instructions for Schedule C (Form 1040).

OMB No. 1545-0074

1999

Attachment Sequence No. **09**

Social security number (SSN)

A Principal business or profession, including product or service (see page C-1)

B Enter code from pages C-8 & 9 ▶

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

E Business address (including suite or room no.) ▶ ....
City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶ ....

G Did you "materially participate" in the operation of this business during 1999? If "No," see page C-2 for limit on losses . ☐ Yes ☐ No

H If you started or acquired this business during 1999, check here . . . . ▶ ☐

Part I **Income**

1	Gross receipts or sales. **Caution:** *If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-2 and check here* . ▶ ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42 on page 2)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6	
7	**Gross income.** Add lines 5 and 6 ▶	7	

Part II **Expenses.** Enter expenses for business use of your home **only** on line 30.

8 Advertising	8		19 Pension and profit-sharing plans	19	
9 Bad debts from sales or services (see page C-3) . .	9		20 Rent or lease (see page C-4):		
10 Car and truck expenses (see page C-3)	10		a Vehicles, machinery, and equipment .	20a	
			b Other business property . .	20b	
11 Commissions and fees . .	11		21 Repairs and maintenance . .	21	
12 Depletion	12		22 Supplies (not included in Part III) . .	22	
13 Depreciation and section 179 expense deduction (not included in Part III) (see page C-3) . .	13		23 Taxes and licenses	23	
			24 Travel, meals, and entertainment:		
			a Travel	24a	
14 Employee benefit programs (other than on line 19) . . .	14		b Meals and entertainment .		
15 Insurance (other than health) .	15		c Enter nondeductible amount included on line 24b (see page C-5) .		
16 Interest:					
a Mortgage (paid to banks, etc.) .	16a		d Subtract line 24c from line 24b .	24d	
b Other	16b		25 Utilities	25	
17 Legal and professional services	17		26 Wages (less employment credits) .	26	
18 Office expense	18		27 Other expenses (from line 48 on page 2)	27	

28	**Total expenses** before expenses for business use of home. Add lines 8 through 27 in columns ▶	28	
29	Tentative profit (loss). Subtract line 28 from line 7	29	
30	Expenses for business use of your home. Attach Form 8829	30	
31	**Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If a loss, you **MUST** go on to line 32.	31	
32	If you have a loss, check the box that describes your investment in this activity (see page C-6). • If you checked 32a, enter the loss on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you **MUST** attach **Form 6198.**	32a ☐ All investment is at risk. 32b ☐ Some investment is not at risk.	

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11334P **Schedule C (Form 1040) 1999**

Accounting Methods for Business. The two basic accounting methods are cash and accrual. In the cash accounting method, income is reported in the year payment is actually received. Likewise, expenses are usually reported in the year they are actually paid. For the accrual method, income is reported in the year it is earned. Likewise, expenses are reported in the year they are incurred even if they are not paid during the year.

NOTES:

Schedule C

Part I of Schedule C is labeled as **Income,** but it also deals with some expenditures. Part II deals with expenses of the business.

Line 1. Remember that receipts are not the same thing as profit. Receipts are the money your business activity takes in from sales and fees.

Line 2. This also relates to goods that are defective or unacceptable to customers. Line 3 is gross receipts minus returns and allowances.

Line 4. To compute the amount for Line 4, you must fill out Part III of *Schedule C, Cost of Goods Sold.* You must take into account merchandise inventories at the beginning and the end of the tax year.

Line 5. Gross profits are gross receipts, returns, and allowances, minus the amount of goods sold.

Lines 6 and 7. Adding the amount of any other income on Line 6 to gross profit gives you gross income on Line 7.

Accounting Methods of Business. Every business must determine their accounting method. There are two types of account methods:

- Cash
- Accrual

The accounting method will determine how you will complete Schedule C.

Schedule C

Like other forms and schedules, Schedule C begins by asking the taxpayer for some basic information. First, there is the name and social security number. Line B asks for a number for your principal business code. These codes are listed in the Instructions for Schedule C. Enter your business name and address on Lines C and E. Your Employer ID Number (EIN) goes on Line D. If you have employees, or in certain other circumstances, you must request an Employer ID Number from the IRS and record that number on your Schedule C each year.

Line 1 is where you enter gross receipts from your business activity.

Line 2 is for returns and allowances. If customers return goods that had been purchased, the amount of money refunded is entered here.

Line 4 is a cost item that is relevant when the production, purchases, or sale of merchandise is an income-producing factor. For example, you might have a business selling cosmetics produced by another firm.

Line 5 is called gross profit. The amount of cost of goods sold (Lines 4) is subtracted gross receipts minus returns and allowances (Line 3) to determine gross profit.

Lines 6 and 7. There are certain types of income that you might receive other than sales to customers, such as interest income on notes or accounts receivable.

Terminology *continued*

Gross Income - Total income, minus certain allowable personal expenditures.

Loss - Result when initial investment, plus business-related expenses, exceed profits.

Profit - Result when intial investment, plus business-related expenses, is less than income.

Sole proprietor - A proprietor is the sole owner of the business. The business is not incorporated and there are no business partners. Schedule C or Schedule C-EZ is used for reporting the profit (or loss) of the proprietorship form of enterprise.

EXPENSES

While the calculations are straightforward, you must realize the necessity of keeping good records throughout the year on your expenses. You must be able to show evidence to support your expenses in the event that the IRS examines your return.

Line 10—Car and Truck Expenses

The IRS provides two alternatives for the vehicle deduction. The easiest for record keeping is to take the allowable standard mileage deduction (32.5 cents per mile January 1 through March 31, 1999, and a reduction to 31 cents per mile beginning April 1, 1999). The other approach is to calculate the actual cost of driving your car or truck. This would include gasoline, repairs, general maintenance, insurance, auto property taxes, depreciation, etc. If a car is used for both business and personal use, only the business portion of the cost would be allowed on Line 10.

Example
Shirley Paulovec.

> *Answer: Since 10% of her miles driven were for business, she can take an auto expense deduction of 10% of her car expenses. This would be $400. She would be better off taking this actual cost deduction rather than the flat 32.5 cents per mile, which would be only $325.*

Line 13—Depreciation

Depreciation over several years may not be required for some capital expenditures. A business owner has the option of taking an ordinary cost deduction each year for up to $18,500 of spending on certain personal property (not real estate) used in trade or business each year.

NOTES:

EXPENSES

NOTES:

This is the section where you enter a variety of expenses or costs that will be subtracted from gross income to calculate your profit or loss. Most of the items of Part II require no explanation. As an example, for Advertising (Line 8), you would enter the total of all your outlays for advertising in newspapers, radio, television, etc. You would do the same for other lines such as commissions, interest, insurance, and so on.

While some expenses require no explanation, others, such as depletion and pension plans, are beyond the scope of this lesson. Three of these areas are discussed below: car and truck expenses, depreciation, and meals and entertainment.

Line 10—Car and Truck Expenses

You can take an expense deduction for the business use of your automobile or truck. If your vehicle is not used exclusively for business, you will have to keep a record of the miles driven for business purposes compared to total miles driven.

Example
Shirley Paulovec drove her car 10,000 miles between January 1 and March 31, 1999. She drove 1,000 deductible miles for her business selling cosmetics. Using IRS guidelines, she calculates the total cost of driving her car for the year at $4,000. Should she take the flat mileage deduction?

Line 13—Depreciation

Depreciation relates to the recovery of the cost of business or income-producing property, such as buildings, vehicles, or equipment. These property items have the characteristic that they last several years before wearing out or losing value over the time they are being used. When a capital outlay is a major expenditure (e.g., for a computer system), the tax law may not allow you to take the full cost of the equipment as a deduction in the year you purchase it. The idea behind the depreciation deduction is that you actually "use up" the depreciable item a little each year. You are allowed to take a deduction of only part of the full cost from year to year until the deductions for the full cost of the items have been taken. If you acquired depreciable property for the first time in 1999, get *Publication 946, How To Depreciate Property.*

Line 24—Travel, Meals and Entertainment

Meals and entertainment, Line 24b, is unique among all the other expenses in Part II. Current tax law does not allow a deduction for the full amount of your expenditures. Generally, 50% of your spending is allowed. When this provision was enacted, members of Congress felt it was inappropriate to allow a full deduction as a business expense because part of the outlay actually is a personal expense. Business meal expenses are deductible only if they are (a) directly related to the active conduct of your trade or business, (b) not lavish or extravagant, and (c) incurred while you or your employee is present at the meal.

Example
Bill McGrew.

> *Answer: Only 50% of this amount, or $2,500, is a deductible business expense on Schedule C.*

Line 31—Net Profit or Loss

You may be able to deduct one more expense to determine net profit or loss. This is the expense for business use of your home, Line 30. The main requirement for taking this deduction is the designation of a part of your home for business use. If you use a room or part of a room regularly and exclusively for business, you may be able to count as expenses of doing business a portion of your rent payments, utilities, insurance, etc. You must complete and attach *Form 8829, Expenses for Business Use of Your Home.*

Enter the total of allowable expenses from Form 8829 on Line 30. Subtract this amount from Line 29 to determine the business's net profit or loss on Line 31.

If Line 31 is a loss, see Schedule C instructions for completing Line 32. If you have earned a net profit you must also transfer this amount to Schedule SE, where you calculate self-employment tax. Just as employees have taxes for Social Security and Medicare taken out of their pay by their employers, business owners may have to pay Social Security and Medicare taxes on their net profit.

Schedule C-EZ

For some less complex businesses, the IRS has introduced Schedule C-EZ. You can use Schedule C-EZ if, in addition to all the requirements for Schedule C, you also meet these requirements:

- you have just one business as a sole proprietor
- your business did not incur a net loss
- your accounting method is on a cash basis
- your business expenses are $2,500 or less
- you have no product inventory at any time during the year
- you have no employees during the year
- you have no deduction for business use of your home
- you have no prior passive activity losses from this business, AND
- you do not have to file Form 4562 to report depreciation.

Line 24—Travel, Meals, and Entertainment

On Line 24a you deduct the full amount of your business lodging and transportation expenses, such as airline fares and hotel rooms.

On Line 26b you can deduct 50% of reasonable meal and entertainment expenses.

Example
Bill McGrew operates a small publishing company. When authors come to town, Bill frequently takes them out for dinner and to entertainment events, such as concerts and baseball games. On these outings Bill spent $4,000 on meals and $1,000 on entertainment. The total meals and entertainment expense is $5,000. What amount is deductible?

Line 31—Net Profit or Loss

On Line 28 show the total allowable amounts of your business expenses from Part II. If its amount is less than your gross income on Line 7, you will show a "tentative profit" on Line 29. If your expenses on Line 28 exceed your gross income on Line 7, you will have a "tentative loss."

NOTES:

Answers to Activities:

Case 1
Sara Musso.

Answer: Sara Musso's Schedule C shows a net profit of $9,945 on Line 29. This is her gross receipts $14,000 (Line 7) minus total expenses $4,055 (Line 28). Sara's total expenses are not the sum of the expenses listed in the case because only 50% of her meals and entertainment expenses are allowed.

The net profit of $9,945 is entered in Line 12 of Form 1040 as a source of income for Sara Musso. This amount must also be entered on Line 2 of Schedule SE. Sara may owe Social Security self-employment tax on her net profit. She will determine her self-employment tax by completing Schedule SE, which is the topic of the next lesson.

Case 2
Sarah and Gary Donovan.

Answer: The bed and breakfast inn has brought in a net profit of $3,876, with gross receipts of $12,000 and expenses of $8,124. As with Case 1, this net profit must be entered into Form 1040 and Schedule SE.

Activities:

Case 1

Sara Musso is a middle school administrator for Canyon School District. She is widely recognized as an expert in classroom discipline. Sara has developed a part-time speaking and consulting business in which she delivers seminars and offers advice on discipline to other schools.

Using a cash accounting method, she has earned fees of $14,000 for the year. Her expenses are as follows:

Advertising	$ 450
Auto travel expense	290
Commissions	730
Legal fees	400
Office expense	1,100
Travel expense	780
Meals and entertainment	150
Postage	60
Printing	170

Complete a Schedule C to determine profit or loss from this business.

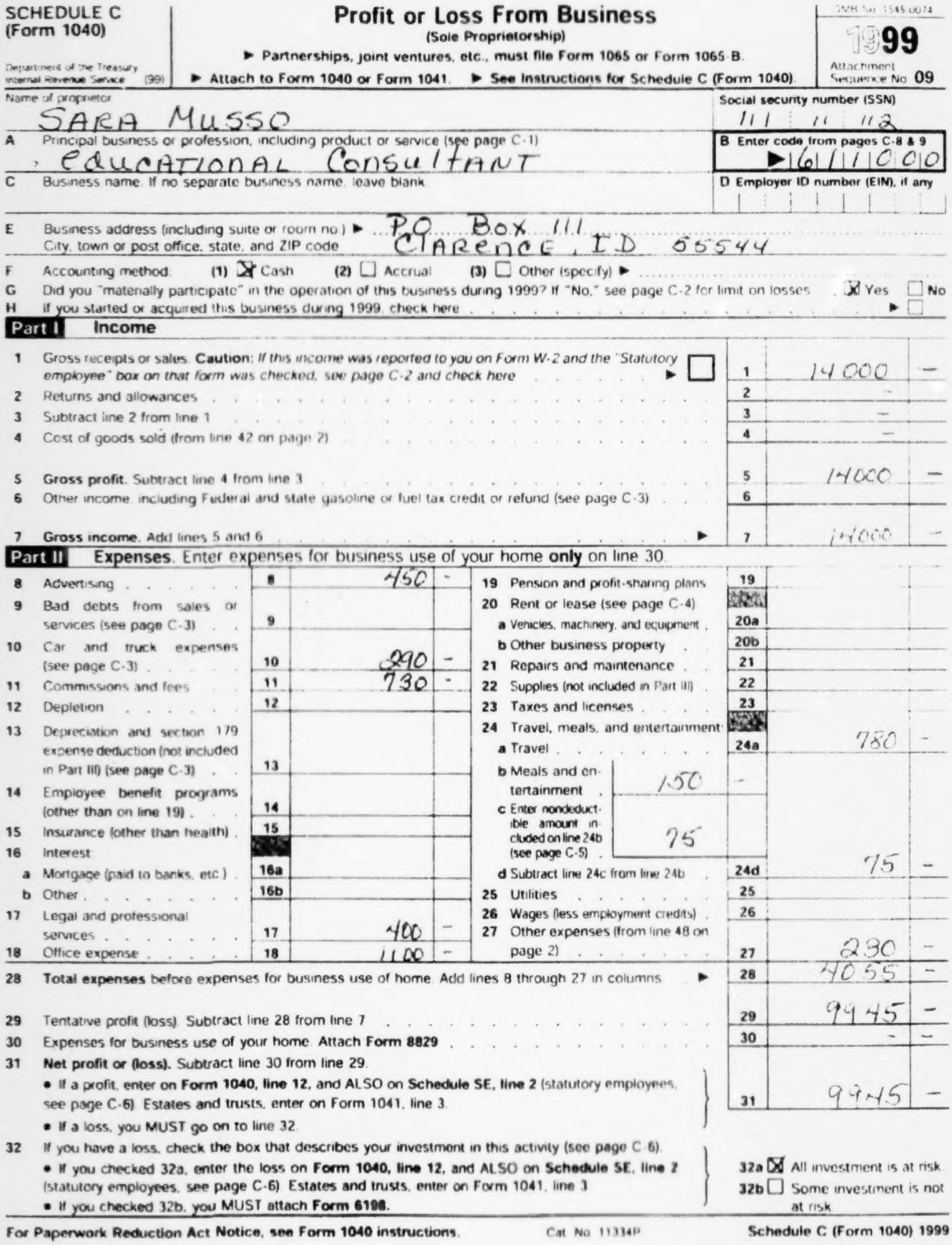
Case 2

Sarah and Gary Donovan run a bed-and-breakfast inn throughout the year. At tax time, they realize that they must file Schedule C with their Form 1040. The year's receipts from daily rentals were $12,000. The costs of the business were the following:

Depreciation on building	$4,000
Advertising	500
Cost of meals served to patrons	1,284
Utilities	1,000
Cleaning expenses	594
Maintenance of building	746

Complete a Schedule C to determine the amount of profit or loss from this business.

Sample Schedule C for Sara Musso



SCHEDULE C (Form 1040)
Department of the Treasury Internal Revenue Service (99)

Profit or Loss From Business
(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065 or Form 1065-B.
▶ Attach to Form 1040 or Form 1041. ▶ See Instructions for Schedule C (Form 1040).

OMB No. 1545-0074
1999
Attachment Sequence No. 09

Name of proprietor: SARA MUSSO
Social security number (SSN): 111 11 112

A Principal business or profession, including product or service (see page C-1): EDUCATIONAL CONSULTANT
B Enter code from pages C-8 & 9 ▶ 611000
C Business name. If no separate business name, leave blank.
D Employer ID number (EIN), if any

E Business address (including suite or room no.) ▶ P.O. BOX 111
City, town or post office, state, and ZIP code: CLARENCE, ID 55544

F Accounting method: (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶
G Did you "materially participate" in the operation of this business during 1999? If "No," see page C-2 for limit on losses ☒ Yes ☐ No
H If you started or acquired this business during 1999, check here ▶ ☐

Part I Income

1	Gross receipts or sales. **Caution:** *If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-2 and check here* ▶ ☐	1	14 000 —
2	Returns and allowances	2	—
3	Subtract line 2 from line 1	3	—
4	Cost of goods sold (from line 42 on page 2)	4	—
5	**Gross profit.** Subtract line 4 from line 3	5	14000 —
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6	
7	**Gross income.** Add lines 5 and 6 ▶	7	14000 —

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	450 -	19	Pension and profit-sharing plans	19	
9	Bad debts from sales or services (see page C-3)	9		20	Rent or lease (see page C-4):		
				a	Vehicles, machinery, and equipment	20a	
10	Car and truck expenses (see page C-3)	10	290 -	b	Other business property	20b	
11	Commissions and fees	11	730 -	21	Repairs and maintenance	21	
12	Depletion	12		22	Supplies (not included in Part III)	22	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-3)	13		23	Taxes and licenses	23	
				24	Travel, meals, and entertainment:		
				a	Travel	24a	780 -
14	Employee benefit programs (other than on line 19)	14		b	Meals and entertainment: 150 -		
15	Insurance (other than health)	15		c	Enter nondeductible amount included on line 24b (see page C-5): 75		
16	Interest:						
a	Mortgage (paid to banks, etc.)	16a		d	Subtract line 24c from line 24b	24d	75 -
b	Other	16b		25	Utilities	25	
17	Legal and professional services	17	400 -	26	Wages (less employment credits)	26	
18	Office expense	18	1100 -	27	Other expenses (from line 48 on page 2)	27	230 -

28	**Total expenses** before expenses for business use of home. Add lines 8 through 27 in columns ▶	28	4055 -
29	Tentative profit (loss). Subtract line 28 from line 7	29	9945 -
30	Expenses for business use of your home. Attach **Form 8829**	30	- -
31	**Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If a loss, you MUST go on to line 32.	31	9945 -
32	If you have a loss, check the box that describes your investment in this activity (see page C-6). • If you checked 32a, enter the loss on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you MUST attach **Form 6198.**		32a ☒ All investment is at risk. 32b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11334P **Schedule C (Form 1040) 1999**

Sample Schedule C

SCHEDULE C
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business

(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065 or Form 1065-B.

▶ Attach to Form 1040 or Form 1041. ▶ See Instructions for Schedule C (Form 1040).

OMB No. 1545-0074

1999

Attachment Sequence No. 09

Name of proprietor | Social security number (SSN)

A Principal business or profession, including product or service (see page C-1) | **B** Enter code from pages C-8 & 9 ▶

C Business name. If no separate business name, leave blank. | **D** Employer ID number (EIN), if any

E Business address (including suite or room no.) ▶ ....
City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶ ....

G Did you "materially participate" in the operation of this business during 1999? If "No," see page C-2 for limit on losses . ☐ Yes ☐ No

H If you started or acquired this business during 1999, check here . . . . ▶ ☐

Part I Income

1	Gross receipts or sales. **Caution:** *If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-2 and check here* . ▶ ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42 on page 2)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6	
7	**Gross income.** Add lines 5 and 6 ▶	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		19	Pension and profit-sharing plans	19	
9	Bad debts from sales or services (see page C-3) . .	9		20	Rent or lease (see page C-4):		
				a	Vehicles, machinery, and equipment .	20a	
10	Car and truck expenses (see page C-3)	10		b	Other business property . .	20b	
				21	Repairs and maintenance . .	21	
11	Commissions and fees . .	11		22	Supplies (not included in Part III) .	22	
12	Depletion	12		23	Taxes and licenses . .	23	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-3) . .	13		24	Travel, meals, and entertainment:		
				a	Travel	24a	
				b	Meals and entertainment .		
14	Employee benefit programs (other than on line 19) . . .	14		c	Enter nondeductible amount included on line 24b (see page C-5) .		
15	Insurance (other than health) .	15					
16	Interest:						
a	Mortgage (paid to banks, etc.) .	16a		d	Subtract line 24c from line 24b .	24d	
b	Other	16b		25	Utilities	25	
17	Legal and professional services	17		26	Wages (less employment credits) .	26	
18	Office expense	18		27	Other expenses (from line 48 on page 2)	27	

28	**Total expenses** before expenses for business use of home. Add lines 8 through 27 in columns ▶	28	
29	Tentative profit (loss). Subtract line 28 from line 7	29	
30	Expenses for business use of your home. Attach Form 8829	30	
31	**Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If a loss, you MUST go on to line 32.	31	
32	If you have a loss, check the box that describes your investment in this activity (see page C-6). • If you checked 32a, enter the loss on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you MUST attach Form 6198.		**32a** ☐ All investment is at risk. **32b** ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11334P **Schedule C (Form 1040) 1999**

Sample Schedule C

SCHEDULE C
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business

(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065 or Form 1065-B.

▶ Attach to Form 1040 or Form 1041. ▶ See Instructions for Schedule C (Form 1040).

OMB No. 1545-0074

1999

Attachment Sequence No. **09**

Name of proprietor

Social security number (SSN)

A	Principal business or profession, including product or service (see page C-1)	**B** Enter code from pages C-8 & 9 ▶
C	Business name. If no separate business name, leave blank.	**D** Employer ID number (EIN), if any
E	Business address (including suite or room no.) ▶ City, town or post office, state, and ZIP code	

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

G Did you "materially participate" in the operation of this business during 1999? If "No," see page C-2 for limit on losses . ☐ Yes ☐ No

H If you started or acquired this business during 1999, check here . . . . ▶ ☐

Part I **Income**

1	**Gross receipts or sales.** **Caution:** *If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-2 and check here* . ▶ ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42 on page 2)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6	
7	**Gross income.** Add lines 5 and 6 ▶	7	

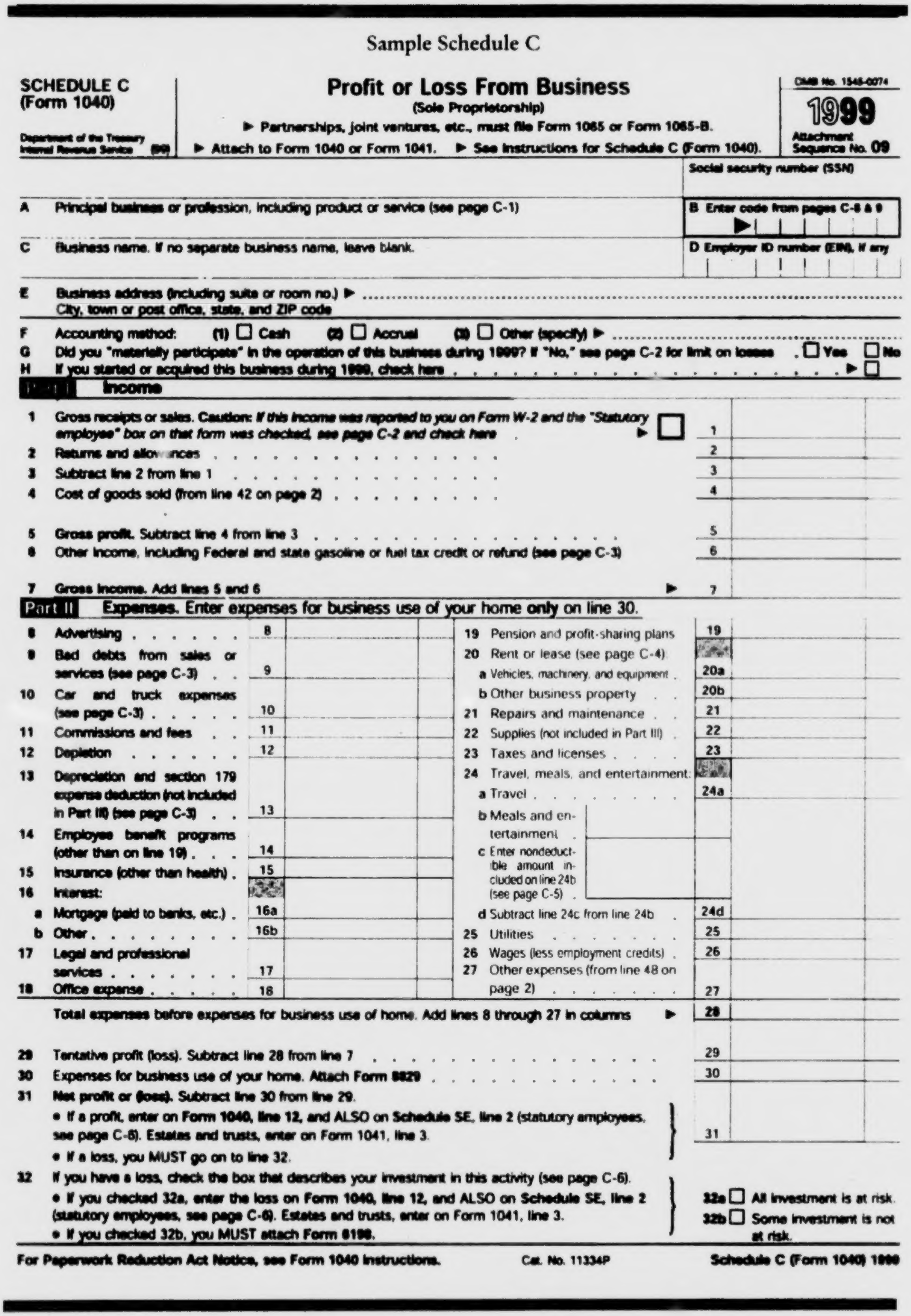
Part II **Expenses.** Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		19	Pension and profit-sharing plans	19	
9	Bad debts from sales or services (see page C-3) . .	9		20	Rent or lease (see page C-4):		
				a	Vehicles, machinery, and equipment .	20a	
10	Car and truck expenses (see page C-3)	10		b	Other business property . .	20b	
11	Commissions and fees . .	11		21	Repairs and maintenance .	21	
12	Depletion	12		22	Supplies (not included in Part III) .	22	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-3) . .	13		23	Taxes and licenses .	23	
				24	Travel, meals, and entertainment:		
				a	Travel	24a	
14	Employee benefit programs (other than on line 19) . . .	14		b	Meals and entertainment .		
15	Insurance (other than health) .	15		c	Enter nondeductible amount included on line 24b (see page C-5)		
16	Interest:						
a	Mortgage (paid to banks, etc.) .	16a		d	Subtract line 24c from line 24b .	24d	
b	Other	16b		25	Utilities .	25	
17	Legal and professional services	17		26	Wages (less employment credits) .	26	
18	Office expense	18		27	Other expenses (from line 48 on page 2)	27	

28	**Total expenses** before expenses for business use of home. Add lines 8 through 27 in columns ▶	28	
29	Tentative profit (loss). Subtract line 28 from line 7	29	
30	Expenses for business use of your home. Attach Form 8829	30	
31	**Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If a loss, you **MUST** go on to line 32.	31	
32	If you have a loss, check the box that describes your investment in this activity (see page C-6). • If you checked 32a, enter the loss on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you **MUST** attach **Form 6198.**	**32a** ☐ All investment is at risk. **32b** ☐ Some investment is not at risk.	

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11334P **Schedule C (Form 1040) 1999**

Sample Schedule C



SCHEDULE C
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business

(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065 or Form 1065-B.

▶ Attach to Form 1040 or Form 1041. ▶ See Instructions for Schedule C (Form 1040).

OMB No. 1545-0074

1999

Attachment Sequence No. 09

Name of proprietor | Social security number (SSN)

A Principal business or profession, including product or service (see page C-1) | B Enter code from pages C-8 & 9 ▶

C Business name. If no separate business name, leave blank. | D Employer ID number (EIN), if any

E Business address (including suite or room no.) ▶ ....
City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶ ....

G Did you "materially participate" in the operation of this business during 1999? If "No," see page C-2 for limit on losses . ☐ Yes ☐ No

H If you started or acquired this business during 1999, check here . . . . ▶ ☐

Part I Income

1	Gross receipts or sales. *Caution: If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-2 and check here* ▶ ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42 on page 2)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6	
7	**Gross income.** Add lines 5 and 6 ▶	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		19	Pension and profit-sharing plans	19	
9	Bad debts from sales or services (see page C-3)	9		20	Rent or lease (see page C-4):		
10	Car and truck expenses (see page C-3)	10			a Vehicles, machinery, and equipment	20a	
11	Commissions and fees	11			b Other business property	20b	
12	Depletion	12		21	Repairs and maintenance	21	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-3)	13		22	Supplies (not included in Part III)	22	
14	Employee benefit programs (other than on line 19)	14		23	Taxes and licenses	23	
15	Insurance (other than health)	15		24	Travel, meals, and entertainment:		
16	Interest:				a Travel	24a	
	a Mortgage (paid to banks, etc.)	16a			b Meals and entertainment		
	b Other	16b			c Enter nondeductible amount included on line 24b (see page C-5)		
17	Legal and professional services	17			d Subtract line 24c from line 24b	24d	
18	Office expense	18		25	Utilities	25	
				26	Wages (less employment credits)	26	
				27	Other expenses (from line 48 on page 2)	27	

28	**Total expenses** before expenses for business use of home. Add lines 8 through 27 in columns ▶	28	
29	Tentative profit (loss). Subtract line 28 from line 7	29	
30	Expenses for business use of your home. Attach Form 8829	30	
31	**Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on **Form 1040, line 12,** and **ALSO** on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If a loss, you **MUST** go on to line 32.	31	

32 If you have a loss, check the box that describes your investment in this activity (see page C-6).
• If you checked 32a, enter the loss on **Form 1040, line 12,** and **ALSO** on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3.
• If you checked 32b, you **MUST** attach **Form 6198.**

32a ☐ All investment is at risk.
32b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11334P **Schedule C (Form 1040) 1999**

Answers to Quiz (Part 1):

Allow students 10 minutes to answer the questions. Discuss the answers and summarize the lesson.

1. c These two components determine business profit (or loss).

2. d The other basic method is cash accounting.

3. d The cost of all meals and entertainment is not deductible. Only 50% can be claimed as a business expense.

4. c Net profit means the business made money during the year.

5. a No expense subtractions have been taken from gross receipts or sales.

6. b Depreciation involves spreading cost of capital purchases over a number of years.

NOTES:

Quiz (Part 1):

Circle the correct answer to each question.

1. Two basic components of Schedule C are:
   a. business expenses and itemized deductions.
   b. business income and itemized deductions.
   c. business income and business expenses.
   d. business income and nonbusiness income.

2. One of the basic methods of accounting for business is:
   a. depreciation.
   b. depletion.
   c. gross income.
   d. accrual.

3. For the following category, Schedule C allows a deduction of only 50% of outlays:
   a. advertising.
   b. office expense.
   c. repairs and maintenance.
   d. meals and entertainment.

4. The final line calculated on Schedule C is:
   a. always a positive number.
   b. always a negative number.
   c. positive if the business has a net profit.
   d. negative if the business has a net profit.

5. Which of the following would generally be the largest number?
   a. Gross receipts or sales.
   b. Gross profit.
   c. Net profit or loss.
   d. All three would be the same amount.

6. Which of the following involves the most complex calculation?
   a. Advertising.
   b. Depreciation.
   c. Repairs and maintenance.
   d. Utilities.

Answers to Quiz (Part 2):

7. b This interest is an expense for the business.

8. d You may be able to take expense deductions under the "office in the home" provision.

9. a Inventory is materials or supplies on hand.

10. a Part II deals with expenses, not income.

Summary

Key Points to Remember

- Income and expenses from self-employment are reported on Schedule C.
- All sole proprietors must file a Schedule C.
- You must file a Schedule C for every business you own.
- You can use Schedule C-EZ for less complex businesses.

Quiz (Part 2):

Circle the correct answer to each question.

7. Under Part II Expenses of Schedule C, interest refers to:
   a. interest the business has earned on its bank accounts.
   b. interest the business has paid on loans.
   c. Both "a" and "b."
   d. Neither "a" nor "b."

8. If you are conducting a business out of your home, you may be able to take a business deduction for:
   a. part of your home heating utilities.
   b. part of your home insurance payments.
   c. part of your home rental payments.
   d. All of the above.

9. Beginning inventory refers to:
   a. value of goods on hand at the beginning of the year.
   b. total value of goods sold during the year.
   c. total value of goods purchased for resale.
   d. value of capital equipment used to produce other goods.

10. Commissions and fees in Part II Expenses of Schedule C refers to:
    a. commission and fees paid by the firm that is filling out Schedule C.
    b. commission and fees paid to the firm that is filling out Schedule C.
    c. Both "a" and "b."
    d. Neither "a" nor "b."

Instructor's Guide
Becoming Taxwise
Lesson 8: Schedule SE, Self-Employment Tax

90 minutes

Introduction:

As background for the self-employment tax, it is important to know the basics of Social Security and Medicare taxation on wages and salaries. Just as these taxes are paid on wages and salaries, self-employment tax may have to be paid on part of the net earnings of a sole proprietorship.

Objectives:

After this lesson, students will:

- understand how Social Security and Medicare taxation are calculated on self-employment income
- be able to prepare Schedule SE—Self-Employment Tax forms.

Social Security and Medicare Tax

An employee who earns wages and salaries does not have to get involved in figuring out how much tax is due. The employer calculates the amount of tax and withholds it from employee paychecks. (The amount withheld for a year is shown on the W-2 Form an employee receives from an employer.) The tax involves two components: Social Security and Medicare.

Discussion Points

- Self-employment tax is paid by self-employed individuals to cover Social Security and Medicare.
- Sole proprietors pay self-employment tax based on their net profit.
- The amount owed for self-employment tax is based on net profit shown on a person's Schedule C.

EQUIPMENT NEEDED:

Chalk board or flip chart
Overhead projector and transparencies
Chalk or markers

CLASS TO INCLUDE:

Introduction	10 minutes
Discussion & Activities	60 minutes
Quiz & Summary	20 minutes

Student's Guide
Becoming Taxwise
Lesson 8: Schedule SE, Self-Employment Tax

Introduction:

The self-employment tax on net profit of a proprietorship is generally equal to the combined employee and employer payroll tax payments on worker earnings.

During this lesson you will learn:

- the basics of Social Security and Medicare taxation on wages and salaries.
- what other taxes are to be paid on part of the net earnings of a sole proprietorship.
- the two components of Social Security and Medicare tax withheld from employees' paychecks.
- how and when to complete Schedule SE.

Social Security and Medicare Tax

Each worker is responsible for paying toward Social Security and Medicare. If you are employed, your employer will withhold these taxes from your pay and report it to you on a Form W-2. These taxes are paid on all income up to $72,600. Self-employed taxpayers must pay self-employment taxes on net profit.

NOTES:

PUBLICATIONS:

334	*Tax Guide for Small Business*
525	*Taxable and Nontaxable Income*
533	*Self-Employment Tax*

TELE-TAX TOPICS: ☎

401	*Wages and Salaries*
407	*Business Income*

Sample Schedule SE, Short Schedule

SCHEDULE SE
(Form 1040)
Department of the Treasury
Internal Revenue Service

Self-Employment Tax

► See Instructions for Schedule SE (Form 1040).
► Attach to Form 1040.

OMB No. 1545-0074
1999
Attachment
Sequence No. 17

Name of person with self-employment income (as shown on Form 1040)

Social security number of person with **self-employment** income ►

Who Must File Schedule SE

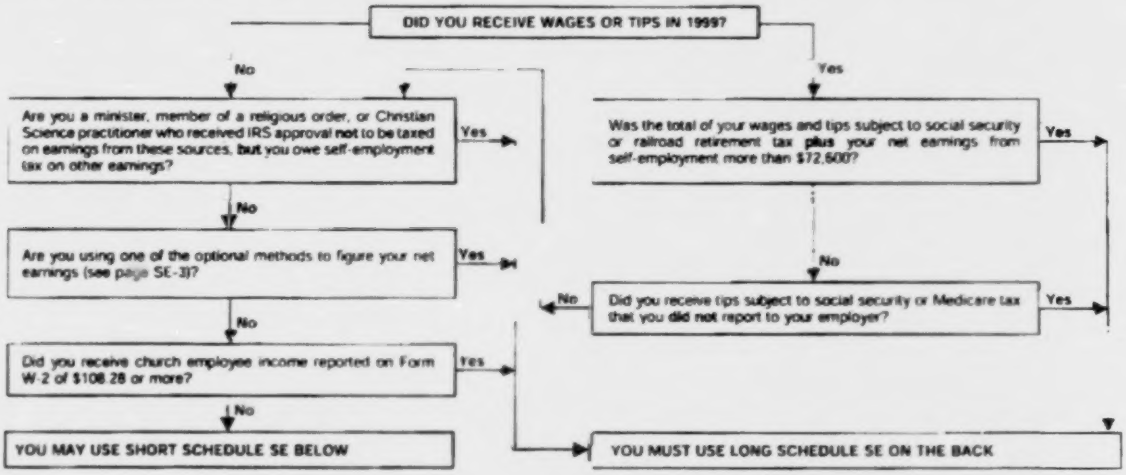
You must file Schedule SE if:

- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of $400 or more, **OR**
- You had church employee income of $108.28 or more. Income from services you performed as a minister or a member of a religious order **is not** church employee income. See page SE-1.

Note: *Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE. See page SE-3.*

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write "Exempt–Form 4361" on Form 1040, line 50.

May Use Short Schedule SE or MUST Use Long Schedule SE?


DID YOU RECEIVE WAGES OR TIPS IN 1999?
No
Yes
Are you a minister, member of a religious order, or Christian Science practitioner who received IRS approval not to be taxed on earnings from these sources, but you owe self-employment tax on other earnings?
Yes
No
Was the total of your wages and tips subject to social security or railroad retirement tax plus your net earnings from self-employment more than $72,600?
Yes
No
Are you using one of the optional methods to figure your net earnings (see page SE-3)?
Yes
No
Did you receive tips subject to social security or Medicare tax that you did not report to your employer?
No
Yes
Did you receive church employee income reported on Form W-2 of $108.28 or more?
Yes
No
YOU MAY USE SHORT SCHEDULE SE BELOW
YOU MUST USE LONG SCHEDULE SE ON THE BACK

Section A—Short Schedule SE. Caution: *Read above to see if you can use Short Schedule SE.*

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report	2	
3	Combine lines 1 and 2	3	
4	**Net earnings from self-employment.** Multiply line 3 by 92.35% (.9235). If less than $400, **do not** file this schedule; you do not owe self-employment tax ►	4	
5	**Self-employment tax.** If the amount on line 4 is: • $72,600 or less, multiply line 4 by 15.3% (.153). Enter the result here and on **Form 1040, line 50.** • More than $72,600, multiply line 4 by 2.9% (.029). Then, add $9,002.40 to the result. Enter the total here and on **Form 1040, line 50.**	5	
6	**Deduction for one-half of self-employment tax.** Multiply line 5 by 50% (.5). Enter the result here and on **Form 1040, line 27**		

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule SE (Form 1040) 1999

Sample Schedule SE, Short Schedule

SCHEDULE SE
(Form 1040)
Department of the Treasury
Internal Revenue Service

Self-Employment Tax

▶ See Instructions for Schedule SE (Form 1040).
▶ Attach to Form 1040.

OMB No. 1545-0074
1999
Attachment
Sequence No. 17

Name of person with **self-employment** income (as shown on Form 1040)

Social security number of person with **self-employment** income ▶

Who Must File Schedule SE

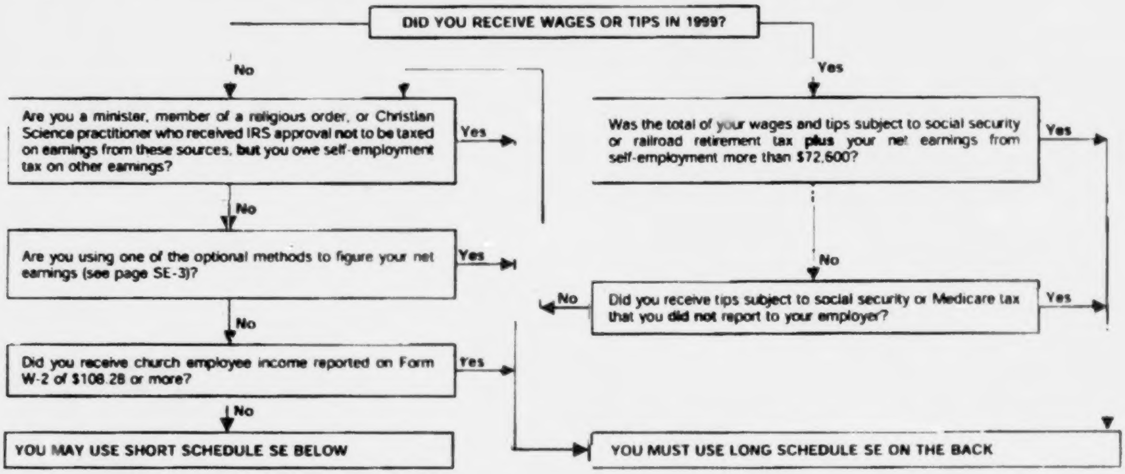
You must file Schedule SE if:

- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of $400 or more, **OR**
- You had church employee income of $108.28 or more. Income from services you performed as a minister or a member of a religious order **is not** church employee income. See page SE-1.

Note: *Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE. See page SE-3.*

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write "Exempt–Form 4361" on Form 1040, line 50.

May Use Short Schedule SE or MUST Use Long Schedule SE?


DID YOU RECEIVE WAGES OR TIPS IN 1999?
No
Yes
Are you a minister, member of a religious order, or Christian Science practitioner who received IRS approval not to be taxed on earnings from these sources, but you owe self-employment tax on other earnings?
Yes
No
Are you using one of the optional methods to figure your net earnings (see page SE-3)?
Yes
No
Did you receive church employee income reported on Form W-2 of $108.28 or more?
Yes
No
YOU MAY USE SHORT SCHEDULE SE BELOW
Was the total of your wages and tips subject to social security or railroad retirement tax plus your net earnings from self-employment more than $72,600?
Yes
No
Did you receive tips subject to social security or Medicare tax that you did not report to your employer?
No
Yes
YOU MUST USE LONG SCHEDULE SE ON THE BACK

Section A—Short Schedule SE. Caution: *Read above to see if you can use Short Schedule SE.*

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report	2	
3	Combine lines 1 and 2	3	
4	**Net earnings from self-employment.** Multiply line 3 by 92.35% (.9235). If less than $400, **do not** file this schedule; you do not owe self-employment tax . . . . ▶	4	
5	**Self-employment tax.** If the amount on line 4 is: • $72,600 or less, multiply line 4 by 15.3% (.153). Enter the result here and on **Form 1040, line 50.** • More than $72,600, multiply line 4 by 2.9% (.029). Then, add $9,002.40 to the result. Enter the total here and on **Form 1040, line 50.** . . .	5	
6	**Deduction for one-half of self-employment tax.** Multiply line 5 by 50% (.5). Enter the result here and on **Form 1040, line 27**		

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule SE (Form 1040) 1999

In 1999, the Medicare tax for a worker was 1.45% of wages and salaries. The tax for Social Security was 6.2% of the first $72,600 of wages and salaries. Combining the two tax rates, the effective tax on the first $72,600 of wage and salary income was 7.65%. Above $72,600 the effective tax rate was $1.45% for Medicare. The amount of Social Security and Medicare tax withheld from an employee is matched by an equal amount paid by the employer.

NOTES:

Short Schedule SE

Just above Section A of Schedule SE is a diagram that presents the requirements for using the Short Schedule. Two of the conditions relate to ministers and church employees. Besides these conditions relating to religious occupations, you must be able to answer "No" to all of the following to use the Short Schedule:

- you received wages or tips and the total of your wages or tips subject to Social Security tax plus your self-employment net earnings is more than $72,600.
- you received tips subject to Social Security or Medicare tax that you did not report to your employer, AND
- you are using an optional method of calculating your net earnings.

Lines 1, 2 and 3 are for net farm profit (or loss), an area of taxation not covered here. Your Schedule C (or Schedule C-EZ) net profit is entered on Line 2. If you have more than one Schedule C, net profits from all schedules are combined and entered on Line 2. Line 3 is net business profit, which is the total of Lines 1 and 2.

For Line 4, your net business profit is multiplied by 92.35% or .9235.

Example 1
Martha Bergman.

> *Answer: Since her wage income and self-employment earnings do not exceed $72,600, Martha can use Section A—Short Schedule SE.*

In 1999, the Medicare tax on self-employment income was 2.9% of net profit. The Social Security tax was 12.4% of the first $72,600 of net profit. Combining these two tax rates, the effective tax on the first $72,600 of net business income was 15.3%. Above $72,600, the effective tax rate was 2.9%.

NOTES:

Short Schedule SE

On Line 5 enter your self-employment tax. One of the two calculation options will apply, depending on whether your income is $72,600 or less, or more than $72,600. Underlying this calculation for Line 5 is a combined Social Security/Medicare tax of 15.3% on the first $72,600 of income and 2.9% additional tax for Medicare on income above $72,600. Make two entries on Form 1040 based on the amount on Line 5. Enter the full amount on Line 47. Enter half the amount of self-employment tax on Line 25.

The self-employment tax is not applied to very small amounts of net earnings from self-employment. If the amount on Line 4 is less than $400, you do not owe any self-employment tax and you do not have to file Schedule SE.

Example 1
Martha Bergman is a computer programmer for Fisher Technologies. She earned wages of $30,000. This is also the amount of her tax base for Social Security and Medicare payroll tax. She also runs a computer consulting business as a sole proprietor. Her net profit from Schedule C is $15,000. Can she use Short Schedule SE?

Sample Schedule SE, Long Schedule

Schedule SE (Form 1040) 1999 Attachment Sequence No. 17 Page **2**

Name of person with self-employment income (as shown on Form 1040)	Social security number of person with self-employment income ▶

Section B—Long Schedule SE

Part I Self-Employment Tax

Note: *If your only income subject to self-employment tax is* **church employee income,** *skip lines 1 through 4b. Enter -0- on line 4c and go to line 5a. Income from services you performed as a minister or a member of a religious order* **is not** *church employee income. See page SE-1.*

A If you are a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361, but you had $400 or more of **other** net earnings from self-employment, check here and continue with Part I . . . . . . ▶ ☐

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a. **Note:** *Skip this line if you use the farm optional method. See page SE-3*	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report. **Note:** *Skip this line if you use the nonfarm optional method. See page SE-3*	2	
3	Combine lines 1 and 2	3	
4a	If line 3 is more than zero, multiply line 3 by 92.35% (.9235). Otherwise, enter amount from line 3	4a	
b	If you elected one or both of the optional methods, enter the total of lines 15 and 17 here	4b	
c	Combine lines 4a and 4b. If less than $400, **do not** file this schedule; you do not owe self-employment tax. **Exception.** If less than $400 and you had **church employee income,** enter -0- and continue ▶	4c	
5a	Enter your **church employee income** from Form W-2. **Caution:** *See page SE-1 for definition of church employee income* 5a		
b	Multiply line 5a by 92.35% (.9235). If less than $100, enter -0-	5b	
6	**Net earnings from self-employment.** Add lines 4c and 5b	6	
7	Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 1999 . . .	7	72,600 **00**
8a	Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation 8a		
b	Unreported tips subject to social security tax (from Form 4137, line 9) 8b		
c	Add lines 8a and 8b	8c	
9	Subtract line 8c from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 ▶	9	
10	Multiply the **smaller** of line 6 or line 9 by 12.4% (.124)	10	
11	Multiply line 6 by 2.9% (.029)	11	
12	**Self-employment tax.** Add lines 10 and 11. Enter here and on **Form 1040, line 50**	12	
13	**Deduction for one-half of self-employment tax.** Multiply line 12 by 50% (.5). Enter the result here and on **Form 1040, line 27** 13		

Part II **Optional Methods To Figure Net Earnings** (See page SE-3.)

Farm Optional Method. You may use this method **only** if:

- Your gross farm income[1] was not more than $2,400, **or**
- Your net farm profits[2] were less than $1,733.

14	Maximum income for optional methods	14	1,600 **00**
15	Enter the **smaller** of: two-thirds (⅔) of gross farm income[1] (not less than zero) **or** $1,600. Also include this amount on line 4b above	15	

Nonfarm Optional Method. You may use this method **only** if:

- Your net nonfarm profits[3] were less than $1,733 **and** also less than 72.189% of your gross nonfarm income,[4] **and**
- You had net earnings from self-employment of at least $400 in 2 of the prior 3 years.

Caution: *You may use this method no more than five times.*

16	Subtract line 15 from line 14	16	
17	Enter the **smaller** of: two-thirds (⅔) of gross nonfarm income[4] (not less than zero) **or** the amount on line 16. Also include this amount on line 4b above	17	

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[1] From Sch. F, line 11, and Sch. K-1 (Form 1065), line 15b.

[2] From Sch. F, line 36, and Sch. K-1 (Form 1065), line 15a.

[3] From Sch. C, line 31; Sch. C-EZ, line 3; Sch. K-1 (Form 1065), line 15a; and Sch. K-1 (Form 1065-B), box 9.

[4] From Sch. C, line 7; Sch. C-EZ, line 1; Sch. K-1 (Form 1065), line 15c; and Sch. K-1 (Form 1065-B), box 9.

Schedule SE (Form 1040) 1999

Sample Schedule SE, Long Schedule

Schedule SE (Form 1040) 1999 Attachment Sequence No. **17** Page **2**

Name of person with **self-employment** income (as shown on Form 1040)	Social security number of person with **self-employment income** ▶

Section B—Long Schedule SE

Part I Self-Employment Tax

Note: *If your only income subject to self-employment tax is* ***church employee income,*** *skip lines 1 through 4b. Enter -0- on line 4c and go to line 5a. Income from services you performed as a minister or a member of a religious order* ***is not*** *church employee income. See page SE-1.*

A If you are a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361, but you had $400 or more of **other** net earnings from self-employment, check here and continue with Part I . . . . . . ▶ ☐

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a. **Note:** *Skip this line if you use the farm optional method. See page SE-3*		1		
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report. **Note:** *Skip this line if you use the nonfarm optional method. See page SE-3*		2		
3	Combine lines 1 and 2		3		
4a	If line 3 is more than zero, multiply line 3 by 92.35% (.9235). Otherwise, enter amount from line 3		4a		
b	If you elected one or both of the optional methods, enter the total of lines 15 and 17 here		4b		
c	Combine lines 4a and 4b. If less than $400, **do not** file this schedule; you do not owe self-employment tax. **Exception.** If less than $400 and you had **church employee income,** enter -0- and continue ▶		4c		
5a	Enter your **church employee income** from Form W-2. **Caution:** *See page SE-1 for definition of church employee income*	5a			
b	Multiply line 5a by 92.35% (.9235). If less than $100, enter -0- . . .		5b		
6	**Net earnings from self-employment.** Add lines 4c and 5b		6		
7	Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 1999 . . .		7	72,600	00
8a	Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation	8a			
b	Unreported tips subject to social security tax (from Form 4137, line 9)	8b			
c	Add lines 8a and 8b		8c		
9	Subtract line 8c from line 7. If zero or less, enter -0- here and on line 10 and go to line 11 ▶		9		
10	Multiply the **smaller** of line 6 or line 9 by 12.4% (.124)		10		
11	Multiply line 6 by 2.9% (.029)		11		
12	**Self-employment tax.** Add lines 10 and 11. Enter here and on Form 1040, line 50		12		
13	**Deduction for one-half of self-employment tax.** Multiply line 12 by 50% (.5). Enter the result here and on **Form 1040, line 27**	13			

Part II Optional Methods To Figure Net Earnings (See page SE-3.)

Farm Optional Method. You may use this method **only** if:

- Your gross farm income[1] was not more than $2,400, or
- Your net farm profits[2] were less than $1,733.

14	Maximum income for optional methods	14	1,600	00
15	Enter the **smaller** of: two-thirds (⅔) of gross farm income[1] (not less than zero) **or** $1,600. Also include this amount on line 4b above	15		

Nonfarm Optional Method. You may use this method **only** if:

- Your net nonfarm profits[3] were less than $1,733 and also less than 72.189% of your gross nonfarm income,[4] **and**
- You had net earnings from self-employment of at least $400 in 2 of the prior 3 years.

Caution: *You may use this method no more than five times.*

16	Subtract line 15 from line 14	16		
17	Enter the **smaller** of: two-thirds (⅔) of gross nonfarm income[4] (not less than zero) **or** the amount on line 16. Also include this amount on line 4b above	17		

---

[1] From Sch. F, line 11, and Sch. K-1 (Form 1065), line 15b.

[2] From Sch. F, line 36, and Sch. K-1 (Form 1065), line 15a.

[3] From Sch. C, line 31; Sch. C-EZ, line 3; Sch. K-1 (Form 1065), line 15a; and Sch. K-1 (Form 1065-B), box 9.

[4] From Sch. C, line 7; Sch. C-EZ, line 1; Sch. K-1 (Form 1065), line 15c; and Sch. K-1 (Form 1065-B), box 9.

Schedule SE (Form 1040) 1999

Long Schedule SE, Part I

NOTES:

Most self-employed taxpayers who cannot use the Short Schedule SE will use Part I of the Long Schedule SE. The first three lines of the Long Schedule are the same as the Short Schedule described above. Farm income for Line 1 is combined with Schedule C net profit on Line 2 to arrive at net business profit on Line 3.

For Line 4a, net business profit is multiplied by .9235. As was the case with the Short Schedule, this provision excludes part of business profit from the self-employment tax. Line 4b relates to the optional calculation method of Part II of the Long Schedule SE and is not covered here. Line 4c is the total of Lines 4a and 4b. If this amount is less than $400, you owe no self- employment tax and do not need to file Schedule SE.

Lines 5a and 5b involve church employee income and are not within the scope of this lesson, so Line 6 will be equal to Line 4c.

Lines 7 through 15 have one purpose: helping you to avoid paying excessive self-employment tax in cases where you have already paid Social Security and Medicare payroll taxes on wage or salary income. In general, you get an exemption from self-employment tax for any wage, salary, or tip income that has been subject to employee payroll tax withholding for Social Security.

Line 25 is in the section called Adjustments to Income. What is involved here is that the business owner reduces income subject to the income tax by an amount equal to half of his or her self-employment tax. The result of this adjustment to income is that the tax burden on net profit is less than the amount calculated on Schedule SE.

Long Schedule SE, Part I

Lines 7 through 10 have the purpose of avoiding excess self-employment taxation on the first $72,600 of your earned income. On Line 7, you find the amount of $72,600 already entered. This is the earned income subject to the Social Security tax of 6.2% on employees and the 12.4% tax on net earnings from self-employment. On Line 8a, enter the amount of Social Security wages and tips as reported in Boxes 3 and 7 of Form W-2.

On Line 8b, enter the amount of unreported tips subject to Social Security tax. Line 8c is the total of Lines 8a and 8b. This is the amount of earned income that was already taxed for Social Security as employee income for the taxpayer. Line 9 is Line 7 minus Line 8c. Enter zero if this amount is zero or a negative number. Your Social Security tax for Line 10 is 12.4% of the smaller amount of Line 6 or Line 9. This calculation has the effect of excluding from the self-employment tax the Social Security income that has already been taxed by the employee payroll tax.

Line 11 shows the tax you owe for Medicare. The Medicare tax is 2.9% of Line 6. Note that while the Medicare self-employment tax applies to all of net earnings from self-employment, the Social Security tax applied only to the first $72,600.

Line 12 is your total self-employment tax. This is the sum of your Social Security tax, Line 10, and your Medicare tax, Line 11.

Enter your self-employment tax on Line 47 of Form 1040. Also enter half of your self-employment tax on Line 25 of Form 1040.

NOTES:

Answers to Activities:

Case 1
Sam Salono.

> *Answer: Sam Salono owes self-employment tax of $2,260.73 as a result of the net profit from his electrical business. Sam must file Schedule SE because his net earnings from his self-employment activities are greater than $400.*

Case 2
Maria and Ruben Gomez.

> *Answer: The Gomez's must complete Schedule SE for Maria's business income. Ruben's Medicare and Social Security payroll taxes paid on his wages ($40,000) have no bearing on the Schedule SE for Maria's business. With no wage or salary income for herself, Maria can use Short Schedule SE. The self-employment tax is $2,430. Note on Line 4 that the self-employment tax applies to "net earnings" from self-employment. This amount ($15,884) is $92.35% of Maria's net profit of $17,200.*

Case 3
Marvin Alvinson.

> *Answer: No self-employment tax is owed. Schedule SE does not have to be completed since less than $400 of net profit was earned during the year.*

NOTES:

Activities:

NOTES:

Case 1

Sam Salono is an electrician employed by Central Pennsylvania Steel Corporation. His W-2 form from CPSC shows wages for the year of $50,000. Sam has a part-time business doing electrical repair and remodeling work. He has completed his Schedule C for his part-time business and has a net profit of $16,000. Is Schedule SE required? If yes, can the Short Schedule be used or is the Long Schedule required? How much, if any, self-employment tax is required?

Case 2

Maria and Ruben Gomez are married and have two children. Their filing status is married filing joint return. Ruben has a full-time job earning $40,000. Payroll tax for Social Security and Medicare was withheld by his employer on the full amount of his wage income. Maria runs a dance school. She is the sole proprietor of this business enterprise. Her net profit from the business was $17,200. Is Schedule SE required? If yes, can the Short Schedule be used or is the Long Schedule required? How much, if any, self-employment tax is owed?

Case 3

Marvin Alvinson has a full-time teaching position, but also does some lecturing as a part-time business. This year Marvin's teaching salary was $46,800. His filing status is single. Due to an illness, he did not do as much lecturing. His net profit for the year was $300. Is Schedule SE Required? If yes, can the Short Schedule be used or is the Long Schedule required? How much, if any, self-employment tax is owed?

Answers to Quiz (Part 1):

NOTES:

Allow students 10 minutes to answer the questions. Discuss the answers and summarize the lesson.

1. c No self-employment tax is paid with a loss or net profit less than $400.

2. d Wage, salary, and tip income is reported by employers on Form W-2.

3. b The tax rate for 1999 was 15.3%

4. d The tax base for Social Security is limited to no more than $72,600 of the taxpayer's net earnings from self-employment.

5. d Each would pay no more once they reached $72,600.

Quiz (Part 1):

Circle the correct answer for each question below:

1. You pay no self-employment tax for the year if:
   a. your business had a net loss of $10,000.
   b. your business had a net profit of $200.
   c. Both of the above.
   d. Neither of the above.

2. Schedule SE helps you to avoid paying excessive self-employment tax in cases where you have already paid Social Security taxes on:
   a. wage income.
   b. salary income.
   c. tip income.
   d. all of the above.

3. The combined Social Security/Medicare self-employment tax rate on $40,000 of net business profit is closest to:
   a. 10%.
   b. 15%.
   c. 20%.
   d. 25%.

4. Which of the following is true regarding the tax base for the Social Security and the Medicare self-employment taxes?
   a. Both have a limited tax base.
   b. Both have an unlimited tax base.
   c. The tax base for Medicare is limited, but the tax base for Social Security is not limited.
   d. The tax base for Social Security is limited, but the tax base for Medicare is not limited.

5. Two business owners, with no other incomes, would pay the same self- employment tax if their net profits amounts were:
   a. $40,000 and $50,000.
   b. $50,000 and $60,000.
   c. $60,000 and $70,000.
   d. $70,000 and $80,000.

Answers to Quiz (Part 2):

6. d Self-employment tax is based on a person's total income and total paid for Social Security and Medicare.

7. c The full amount of the tax is entered under "Other Taxes." In addition to the tax, you are allowed an adjustment to income of one-half of the tax determined from Schedule SE.

8. c You must file Form 1040 if you are self-employed.

Summary

Key Points to Remember

- Social Security and Medicare Taxes are withheld by your employer and reported on Form W-2.
- Self-employed individuals must pay self-employment tax to cover Social Security and Medicare taxes.
- Self-employed tax payers must file Form 1040 with Schedule C and Schedule SE attached.
- If a self-employed person has a net loss or a net profit of less than $400 for the year, no self-employment tax is owed.

Quiz (Part 2):

Circle the correct answer to each question below:

6. Factors that can determine the amount of self-employment tax for an owner of a business include:
   a. the amount of net profit.
   b. the Social Security self-employment tax rate.
   c. the amount of wage income earned during the year.
   d. All of the above.

7. The self-employment tax determined with the Short Schedule SE results in an entry on Form 1040 under:
   a. Other taxes.
   b. Adjustments to income.
   c. Both "a" and "b."
   d. Neither "a" nor "b."

8. The self-employment tax liability is also included on:
   a. Schedule A.
   b. Schedule B.
   c. Form 1040.
   d. Form 1040A.

Instructor's Guide
Becoming Taxwise
Lesson 9: Schedule EIC, Earned Income Tax Credit

90 minutes

Introduction:

A tax credit, like a tax deduction, reduces the amount of tax you owe. The Earned Income Tax Credit is available to lower income people who have earned income.

Objectives:

After this lesson students will:

- identify situations in which they can apply for the Earned Income Tax Credit.
- understand the various requirements for the Earned Income Tax Credit.
- be able to complete Schedule EIC correctly.

Schedule EIC: Earned Income Tax Credit

To understand the Earned Income Tax Credit (EITC), consider the meaning of the terms "earned income" and "credit." Deductions, like the standard deduction or itemized deductions, are subtractions that reduce taxable income. A tax credit is a dollar-for-dollar subtraction from your tax obligation.

The EITC is only available to taxpayers who have earned income. However, with investment income from interest, dividends and similar sources over $2,350, the taxpayer is ineligible for the Earned Income Tax Credit.

Earned Income Tax Credit (EITC)

A tax credit of one dollar saves you a full dollar in taxes. For the Earned Income Tax Credit, if a taxpayer has a credit of $1,000, the taxpayer receives a financial gain of the full $1,000.

For purposes of the Earned Income Tax Credit, if you are in the U.S. military on extended active duty outside the United States, you are considered to live in the United States during that duty period. Therefore, you may be able to claim the Earned Income Tax Credit if you meet all the other rules. Amounts prisoners receive for their work while inmates at a penal institution do not qualify for the Earned Income Tax Credit.

EQUIPMENT NEEDED:

Chalk board or flip chart
Overhead projector and transparencies
Chalk or markers

CLASS TO INCLUDE:

Introduction	10 minutes
Discussion & Activities	60 minutes
Quiz & Summary	20 minutes

Student's Guide
Becoming Taxwise
Lesson 9: Schedule EIC, Earned Income Tax Credit

Introduction:

The Earned Income Tax Credit (EITC) is an important tax benefit for lower-income workers. The credit can be as much as $3,816 for workers with qualifying children. There is also a much smaller EITC for taxpayers who do not have children. The credit for childless workers is as much as $347 for 1999.

During this lesson you will learn:

- the qualifications for applying for the Earned Income Tax Credit (EITC).
- how to complete Schedule EIC correctly.

Schedule EIC: Earned Income Tax Credit

Earned income is income received for performing services. Generally, earned income includes wages, salaries, tips, and earnings from self-employment. Other sources of earned income are commissions, union strike benefits, U.S. military basic housing and subsistence allowances, voluntary salary deferrals, and tax-free meals and lodging provided by an employer. Examples of income **not included** in earned income include unemployment compensation benefits, veteran's benefits, Aid to Families with Dependent Children benefits, Social Security benefits, and alimony or child support received. Interest and dividend income is also not included in earned income.

Examples of income **not included** in earned income are:

- unemployment compensation benefits
- veteran's benefits
- Aid to Families with Dependent Children benefits
- Social Security benefits
- alimony or child support received
- earned interest
- dividend income

PUBLICATIONS:

596	*Earned Income Credit*
929	*Tax Rules for Children, etc.*

TELE-TAX TOPICS:

600	Child Tax Credits
601	*Earned Income Credit*
607	*Adoption Credit*

Discussion & Activities:

NOTES:

The EITC with Qualifying Children

To qualify for the earned income credit with qualifying children, you must meet requirements relating to:

- filing status,
- income, and
- qualifying child.

Taxpayers using any filing status, except married filing separately, can potentially qualify for the EITC. Typically, EITC filers have a married filing joint return or head of household filing status. However, qualifying widow(er) is also a possibility. A taxpayer with a single filing status could not receive the EITC for qualifying children, but might be eligible for the EITC for childless taxpayers.

For the purposes of EITC, a qualifying child must meet the following requirements:

- is the taxpayer's son, daughter, adopted child, stepchild, grandchild, or eligible foster child.

- lives with the taxpayer for more than six months of the year or, in the case of an eligible foster child, lives with the taxpayer for the entire year in the taxpayer's home in the U.S.

- is (a) less than 19 years of age at the end of the year or (b) a full-time student under the age of 24 at the end of the year or (c) permanently and totally disabled, regardless of age.

- is claimed as a dependent by the taxpayer if the child is married.

If your earned income is below the threshold to qualify for the EITC, you must also consider your AGI. Your adjusted gross income (with some adjustments or modifications) must also be less than $26,928 for one qualifying child or less than $30,580 with two or more qualifying children.

Discussion & Activities:

The EITC with Qualifying Children

The EITC for tax returns with qualifying children makes a distinction between tax returns with one qualifying child and tax returns with two or more qualifying children. For 1999, the maximum credit with one qualifying child is $2,312. With two or more qualifying children, the credit is as much as $3,816. When claiming an Earned Income Tax Credit with qualifying children, it is important to include the Social Security numbers of children claimed as dependents.

To qualify for the EITC, you must have earned income. The main types of earned income are wages, salaries, tips, and earnings from self-employment. Since the earned income tax credit is designed to assist low- and moderate-income households, you will not qualify for the credit if your income is too high. If you have one qualifying child, your earned income must be less than $26,928. If you have two or more qualifying children, your earned income must be less than $30,580.

In addition to earned income, your adjusted gross income, from your Form 1040A or Form 1040, also plays a role in determining eligibility for the earned income credit. Your adjusted gross income or AGI is shown on Line 18 of Form 1040A or Line 33 of Form 1040.

NOTES:

Calculating the Credit

When filing for the EITC, you will not have to calculate your credit. You will be able to look up the credit in a special table for the Earned Income Tax Credit. You may also skip the worksheet and just provide information on your qualifying children. The IRS will calculate the amount of your credit.

NOTE: The chart and worksheet for calculating this credit is located in Appendix B.

NOTES:

Calculating the Credit

If you are using Form 1040, you will determine the amount of your Earned Income Tax Credit using the Earned Income Tax Credit Worksheet that is included with Form 1040. Form 1040A has its own EIC worksheet.

NOTES:

EITC with No Qualifying Children

NOTES:

The non-income requirements for the childless EITC are the following conditions:

- married taxpayers must file a joint return—not separate returns
- must not be claimed as a qualifying child for the EITC by any other person.
- must be at least age 25, but under age 65 at the end of 1999.
- neither taxpayer's parents nor anyone else can claim the taxpayer as a dependent on their tax return.
- must have a home in the US for more than half of 1999. (This provision does not apply to people in military service.)

Advanced Earned Income Tax Credit Payment

If you expect to qualify for the Earned Income Tax Credit for a particular year, you can choose to get the credit in advance, instead of waiting until a tax return is filed. To arrange for advance payment of estimated EITC, fill out Form W-5 and provide this form to your employer. Your employer will include advance payments of the EITC in your regular paychecks during the year.

If you receive advance EITC payments, you must file a tax return even if you are not otherwise required to file. Your tax return will adjust for any discrepancy between your estimated EITC and the actual credit for the year.

EITC Forms

All forms and descriptions for the EITC are located in Appendix B.

EITC with No Qualifying Children

The EITC for taxpayers with no qualifying children is much smaller than the EITC for a taxpayer with qualifying children. Instead of a maximum credit of over $3,816, the maximum credit for childless taxpayers is $347. The childless tax credit can be claimed on 1040EZ as well as Forms 1040A or 1040.

EIC Is a Refundable Credit

The Earned Income Tax Credit is a "refundable" credit. This means that regardless of the amount of tax you owe, you receive the full benefit of the credit. Even if you do not owe as much tax as the amount of your Earned Income Tax Credit, you will receive a refund from the IRS to give you the full benefit of the EITC.

If the tax table indicates that you owe income tax for the year, the EITC reduces the amount of tax you owe. If you do not owe any tax according to the tax table, the EITC results in a refund to you.

Filing the EITC

The information and forms found in Addendum B "walks" you through the process for calculating the Earned Income Tax Credit. There are different work sheets for Form 1040EZ, Form 1040A and Form 1040. Be sure to use the correct information and paperwork.

NOTES:

Answers to Quiz (Part 1):

NOTES:

Allow students 10 minutes to answer the questions. Discuss the answers and summarize the lesson.

1. d There are special requirements to take advantage of the Earned Income Tax Credit.
2. d With regard to earned income and AGI, the taxpayer may qualify for the credit with one child if both are less than $26,928.
3. c You can claim the EITC on Form 1040A or 1040, however, you cannot use Form 1040EZ.
4. d Since the EITC is a refundable credit, the taxpayer always gets the full benefit of the credit.
5. a Interest is not earned income for the Earned Income Tax Credit, but it is considered income for tax purposes.
6. c The maximum amount is $3,816 for a tax return with two or more qualifying children.

Quiz (Part 1):

Circle the correct answer for each question below.

1. Which of the following is a classification for the Earned Income Tax Credit?
   a. Filer has no qualifying children.
   b. Filer has one qualifying child.
   c. Filer has two or more qualifying children.
   d. All of the above.

2. Which of the following would be a level of earned income (and adjusted gross income) that would qualify for the Earned Income Tax Credit with one qualifying child?
   a. $10,000.
   b. $15,000
   c. $20,000.
   d. All of the above.

3. Which basic tax form allows for claiming the Earned Income Tax Credit?
   a. Form 1040A.
   b. Form 1040.
   c. Both of the above.
   d. Neither of the above.

4. The Ling family prepares Schedule EIC and finds the total amount of their earned income credit to be $1,300. The Lings receive the full benefit of the credit if:
   a. the amount of tax based on taxable income is $1,100.
   b. the amount of tax based on taxable income is $700.
   c. the amount of tax based on taxable income is zero.
   d. All of the above situations.

5. Which of the following would not be included in earned income?
   a. Interest on a bank savings account.
   b. Wages from employment.
   c. Tips from working in a restaurant.
   d. Profits from a business you own.

6. The maximum credit for the earned income tax credit with two or more qualifying children is closest to:
   a. $300.
   b. $1,500.
   c. $3,800.
   d. $5,000.

Answers to Quiz (Part 2):

7. c For 1999, the maximum is $347 for no qualifying children; $2,312 for one qualifying child, and $3,816 for two or more qualifying children.

8. a The maximum amount is $347 for a tax return with no qualifying children.

9. c After increasing to a maximum amount, the credit remains at its maximum amount. Then the credit declines and is phased out as earned income increases.

10. b Withholding covers their tax obligation. They receive a check for the full amount of their EITC.

Summary

Key Points to Remember

- The Earned Income Tax Credit will reduce your tax liability.
- Taxpayers who claim the Earned Income Tax Credit must meet specific requirements.
- The Earned Income Tax Credit is designed to reduce the tax burden of lower income taxpayers.

Quiz (Part 2):

Circle the correct answer to each question below.

7. Which of the following classifications of the Earned Income Tax Credit provides for the largest credit amount?
   a. Filer has no qualifying children.
   b. Filer has one qualifying child.
   c. Filer has two or more qualifying children.
   d. The maximum credit is the same for all classifications.

8. The maximum credit for the Earned Income Tax Credit with no qualifying children is closest to:
   a. $300.
   b. $1,500.
   c. $2,500.
   d. $4,000.

9. Which of the following best describes how the Earned Income Tax Credit varies as the filer's level of earned income increases?
   a. The credit amount increases as earned income increases.
   b. The credit amount decreases as earned income increases.
   c. The credit amount first increases and then eventually decreases as earned income increases.
   d. The credit amount first decreases and then eventually increases as earned income increases.

10. Paul and Mary Marable qualify for an Earned Income Tax Credit of $600. They have a total tax obligation on Form 1040A of $400. Their income tax withheld was $400. They did not receive advance payment for their EITC. The amount of the check they will receive from the IRS for their tax return is:
   a. $1,000
   b. $600.
   c. $400.
   d. $200.

Glossary
of
Income Tax Terms

A

Accounting methods There are two common accounting methods used by businesses: cash and accrual. In the cash method of business accounting, income is reported for the year in which payment is actually received. Expenses are usually reported for the year they are actually paid. In the accrual method, income is reported for the year that it is actually earned, and expenses are deducted in the year they are incurred.

Accrual method of accounting See "Accounting methods."

Adjusted gross income Often abbreviated as "AGI," this is a very broad measure of your income. In general, AGI is all the income you receive less tax-exempt income and certain adjustments to income, such as IRA deposits and alimony paid. The amount of AGI is used in several ways in other income tax provisions. For example, the itemized deduction for medical and dental expenses is limited to the amount of expenses over 7.5% of AGI. The amount of AGI is also used in the calculation of the earned income credit and the credit for child and dependent care expenses.

Adjustments Subtractions from total income. Total income, minus adjustments results in adjusted gross income (AGI).

After-tax income Gross income reduced by federal and state taxes.

Alimony Legally-binding, periodic payments to a spouse or former spouse. The payments are usually made under a divorce or separation decree. Alimony payments are also called separate maintenance payments. Child support payments are not alimony.

Alimony paid An individual who pays alimony may be able to claim the amount paid during the year as an adjustment to income (Form 1040). (Alimony is fully taxable to the person receiving it.) Child support payments are not alimony. Child support payments cannot be deducted by the payer and are not included in taxable income by the recipient.

Alimony received See "Alimony paid."

Allowances This is the most important term with regard to *Form W-4, Employee's Withholding Allowance Certified* . Allowances on Form W-4 are based on your number of exemptions, filing status, certain child care expenses and whether or not you have a working spouse or have more than one job.

Alternative ways of filing IRS offers alternatives to the traditional paper tax filing, such as filing by telephone or filing by computer.

At risk This is only relevant if your business has experienced a loss for the year. You are regarded as "at risk" to the extent that your personal assets are committed to the business. The amount of loss you are able to subtract from other income may be limited if the amount of loss exceeds the amount of personal assets committed to the business.

B

Blind (standard deduction for) See "Standard deduction."

Business income (or loss) Business income is the profit from the operation of a business enterprise. A loss can result if expenses are greater than income. A sole proprietor must complete *Schedule C, Profits or Loss From Business* or *Schedule C-EZ, Net Profit From Business* to report business profit or loss. These schedules are only for businesses that are sole proprietorships—not for partnerships or corporations. A separate Schedule C or Schedule C-EZ must be filed for each business a taxpayer operates.

Business use of your home You may be able to deduct expenses for the business use of your home. The main requirement is that the room or space in your home is the principal place of business for your trade or business. If this is the case, you may be able to deduct a portion of your rent payments, utilities, insurance, etc.

C

Capital gain distributions This type of dividend is usually paid by a mutual fund or a real estate investment trust. These dividend payments are from capital gains, generally on the sale of stock, other securities, or real estate.

Capital gain (or loss) A capital gain is the increase in the value of an asset, such as corporate stock, precious metals, residential real estate, or commercial real estate. A capital loss is the decrease in the value of these types of assets. Generally capital gains and losses are relevant for tax purposes only when assets are sold or otherwise disposed of. The gain or loss is determined by comparing the asset's sale price to its purchase price or other legally established basis.

Car and truck expenses You can usually take a deduction for your automobile or truck expenses for business purposes. The IRS provides two alternatives for the auto deduction. The easiest is to take the allowable deduction of 32.5 cents per business mile through March 31, 1999 and 31 cents per business mile beginning April 1, 1999. The other approach is to calculate the actual cost of the business use of your car or truck. This would include gasoline, repairs, general maintenance, insurance, auto property taxes, depreciation, etc. If a car is used for both business and personal use, only the business portion of the expenses would be deductible.

Cash method of accounting See "Accounting methods."

Casualty or theft loss This is one area of itemized deductions (Schedule A). A casualty loss is a financial loss that results from some unexpected occurrence, such as a hurricane, flood, or fire. A theft loss is the financial loss due to theft of money or property.

Charitable contributions See "Contributions."

Child support Legally binding payments for the care and benefit of children that result from a couple's divorce or separation. For income tax purposes, child support payments are not income for the recipient and they are not deductible for the payer. See "Alimony."

Contributions On *Schedule A, Itemized Deductions*, you can generally deduct charitable contributions to a variety of qualified organizations. These may include charitable organizations (such as the American Cancer Society), religious organizations, civic organizations, educational institutions, and government agencies where the contribution is for some public purpose, such as helping the homeless.

Costs of goods sold This cost item is relevant for a business that sells products produced by other firms. For example, you might be in a business of selling cosmetics produced by another firm. You would subtract the cost of the cosmetics you sold in determining your business profit on *Schedule C-EZ, Net Profit From Business* or *Schedule C, Profit or Loss from Business*.

Credits See "Tax credits."

D

Deductible points A "point" is one percent of your mortgage loan. Points are frequently charged by a lender when a loan is originated. Since points are similar to an interest charge, they are generally deductible as mortgage interest.

Deductions Allowable amounts used to decrease taxable income.

Deductions and adjustments worksheet This is one worksheet of Form W-4, *Employee's Withholding Allowance Certificate*. If you plan to itemize deductions (instead of taking the standard deduction) or claim adjustments to income, you should use this worksheet.

Dependents See "Exemptions/Dependents."

Depreciation Depreciation relates to capital equipment or buildings used in your business. Capital equipment has the characteristic that it lasts several years before wearing out. For a major capital outlay, such as for manufacturing equipment, the law usually does not allow a deduction for the full cost in the year you purchase the equipment. The general idea behind the depreciation deduction is that you take a partial deduction each year as you "use up" part of the capital equipment each year.

Dividends Ordinary dividends are payments that a corporation makes to shareholders from profits. Dividends can be in the form of cash or additional corporation stock. If taxable dividends are over $400, you must complete and attach Schedule 1 to Form 1040A or Schedule B to Form 1040.

E

Elderly (standard deduction for) See "Standard deduction."

Electronic filing Electronic transmission of tax return data via telephone lines directly to an IRS computer where it is automatically checked for errors and missing information.

Employer identification number (EIN) This is a number an employer obtains from the IRS. The number helps the IRS keep track of the wages paid and tax withholding record of the employer. The number appears on the W-2 forms you receive from an employer. If you have a business and employ workers, you must obtain an EIN number.

Estimated tax Estimated tax payments are advance payments of taxes (usually quarterly) to the IRS. Most taxpayers make their advance payment of taxes through employer tax withholding. However, because of substantial business profit, interest, dividend, or other income not subject to withholding, some taxpayers must make quarterly estimated tax payments.

Earned income Earned income is income received for performing personal services. Generally, earned income includes wages, salaries, tips and business profit. Examples of unearned income include interest, dividends, and Social Security benefits.

Earned Income Tax Credit The Earned Income Tax Credit provides financial support for taxpayers who are employed, but have relatively low earned incomes. The credit is not available to taxpayers with adjusted gross income over $10,200 with no qualifying child; $26,928 with one qualifying child; and $30,5805 with more than one qualifying child. The basic credit can be as much as $347 with no qualifying child, $2,312 with one child and as much as $3,816 with two or more children. The Earned Income Tax Credit is a refundable credit. That is, it is treated like a tax payment. A refundable credit can bring a refund even if the taxpayer did not pay any tax or have any tax withheld.

Excess Social Security tax withheld Your employers may withhold more than the appropriate amount of tax for Social Security and/or railroad retirement. For 1999, the first $72,600 of a person's wage and salary income is subject to a 6.2% tax for Social Security. In addition a 1.45% tax is applied on wage and salary income above $72,600 for Medicare. If you have two or more employers, each will withhold at rates assuming they are the only source of your income. As a result, the combined Social Security tax withholding may be excessive for a particular taxpayer during a particular year.

Exemption from withholding A small percentage of taxpayers are exempt from withholding. This will apply to you only if you had no tax liability last year and expect to have no tax liability this year. (No tax liability means that you paid zero taxes or that you had taxes withheld but received a refund of the entire amount.)

Exemptions/Dependents Generally, taxpayers may claim exemptions on a tax return for the taxpayer, his or her spouse, children, and certain other persons who are dependent on you for financial support. Exemptions, other than for yourself and your spouse, are called dependent exemptions. For 1999, the exemption amount is $2,750. Taxpayers with very high income lose part or all of their personal exemptions. On a joint tax return, the personal exemption phase-out begins when adjusted gross income reaches $189,950.

F

Federal income tax withheld This is your payment of federal income tax through withholding by your employers. As wage and salary income increase, more income tax is usually withheld. Your entries on your Form W-4, Employee's Withholding Allowance Certificate are used to help determine the amount of federal income tax withheld each pay period. The amount of federal income tax withheld will be reported to you on W-2 forms dated by January 31 by each of your employers.

Filing status The five possible filing statuses for tax returns are married filing joint return, qualifying widow(er), head of household, single, and married filing separate return. The filing status on a tax return depends on the taxpayer's marital status and other factors. Several features of the income tax vary according to the filing status of the taxpayer. The two most prominent features are the standard deduction and the tax rate brackets for the 15%, 28%, 31%, 36%, and 39.6% tax rates. Married filing joint return and qualifying widow(er) have the highest standard deduction. Married filing separate return has the lowest standard deduction. Married filing joint return and qualifying widow(er) frequently bring the lowest tax on a given amount of taxable income.

Foreign tax credit You may be entitled to a tax credit if you have income that is also taxed by a foreign country. With certain limitations, you are entitled to a tax credit for the taxes paid to a foreign government on foreign-source income. To claim this credit you will have to complete *Form 1116, Computation of Foreign Tax Credit* and attach it to Form 1040.

Form 1040 Form 1040 is the most complex form for filing your tax return. It provides for reporting income from all sources and lets the taxpayer take advantage of all tax deductions and tax credits. Among the most common reasons for filing the Form 1040 are reporting alimony, reporting business income, and itemizing deductions instead of using the standard deduction.

Form 1040A Compared to the two other forms, Form 1040A is the "in-between" choice in terms of features and complexity. Some key features on Form 1040A that are not included on 1040EZ are: all five filing statuses, multiple personal exemptions, dividend income, Social Security income, the IRA adjustment to income, Childcare Tax Credit, and Earned Income Tax Credit.

Form 1040EZ Form 1040EZ is the simplest of the three basic tax forms. To use this form you must be single or married filing jointly, under age 65, not blind, and claim no dependents. Income must be only in the form of wages, salaries, tips, interest, unemployment compensation, and taxable scholarships. You cannot claim any itemized deductions nor any tax credits. Certain other restrictions apply. Form 1040EZ is for taxpayers without much complexity in income and tax-related expenditures.

Form W-2 This is the form that your employer sends to you by January 31 to let you know the amount of earned income and taxes withheld for the previous year. The federal taxes reported on Form W-2 are income, Social Security, and Medicare taxes. If you do not receive your W-2 forms by February 15, 2000, contact your local IRS office, or call the IRS at 1-800-829-1040.

Form W-4 Also called "Employee's Withholding Allowance Certificate." Your entries on Form W-4 will affect the amount of income tax withheld from your paychecks and reported to you by January 31 on the W-2 Form. Form W-4 does not affect Social Security and Medicare tax withheld.

G

General business credit The general business tax credit is a group of tax credits that a business enterprise may be able to use to reduce the amount of tax owed. These tax credits include the investment tax credit, the low-income housing tax credit, welfare to work credit and work opportunity credit, and the research tax credits.

Gross receipts or sales This is your revenue from your business activity as reported on Schedule C or Schedule C-EZ. Remember that revenue does not mean profit. Gross receipts include all the money your business has taken in from the sale of goods and services. Profit is revenue minus your allowable expenses of doing business.

H

Head of household Head of household filing status is for unmarried individuals who provide a home for certain other persons. Typically, the other persons are children. However, the other persons could be dependent adults. The standard deduction and the tax rate brackets are more favorable for head of household than for single status.

I

Income Income subject to personal income taxation includes many types of receipts a person may have during the year. The most common are wages, salaries, business profit, and interest income. Some types of income, such as Social Security benefits, may be only partially taxable. Some monetary receipts are not subject to income taxation. Two examples are interest earned from qualified state government bonds and scholarship money used to pay college tuition. This income is called non-taxable income or tax- exempt income.

Income tax withheld See "Federal income tax withheld."

Indexation Annual adjustment of features of the tax system for inflation. Features of the tax system that are indexed are the personal exemption, standard deduction amounts, and the tax rate brackets for the 15%, 28%, 31%, 36%, and 39.6% tax rates.

Interest income Interest income is a payment you receive for letting someone or some institution use your money. The most common type of interest is payments you receive on deposits in banks or credit unions. If interest received is over $400, you must complete and attach Schedule B with Form 1040 (or Schedule 1 with Form 1040A). The interest recorded on Line 1 of Schedule B is taxable interest. Certain types of interest income, such as interest from qualified municipal bonds, are nontaxable (tax-exempt).

Investment interest paid Investment interest includes interest paid on money borrowed to buy property or assets for investment (rather than for personal use). It is deductible on Schedule A as an itemized deduction.

Individual Retirement Arrangement (IRA) deduction This is a tax-favored financial investment to help people provide for retirement. A taxpayer may be able to deduct part or all of contributions to an IRA account, depending on the amount of a taxpayer's adjusted gross income and whether or not the taxpayer or the taxpayer's spouse is covered by an employer-provided retirement plan. Nontaxable contributions to IRAs are tax-deferred as opposed to tax exempt. With their deferred status, the taxpayer does pay income tax on IRA contributions when funds are distributed at retirement. In addition to initial deposits, money earned in an IRA is also tax deferred. The tax-deferred status of an IRA investment allows the investment to increase in value much faster than a fully taxable investment.

Itemized deductions Instead of taking the standard deduction (ranging from $3,600 to $7,100 depending on filing status), a taxpayer may save tax dollars by itemizing deductions using Schedule A of Form 1040. The main categories of itemized deductions are medical expenses, charitable contributions, taxes paid, interest paid, casualty and theft losses, and job expenses. Taxpayers usually choose to itemize deductions when the total of their itemized deductions exceeds the standard deduction for their filing status.

M

Married filing joint return No filing status receives more favorable tax treatment than married filing joint return. (Qualifying Widow(er) has equally favorable tax treatment.) Taxpayers may check this status if they are married, even if only one spouse has income. This filing status shares with qualifying widow(er) the highest standard deduction, $7,200 in 1999. Tax rates applied to taxable income may be lower for this filing status compared to others. This is because the tax rate brackets have broader ranges of taxable income compared to single, head of household, and married filing a separate return.

Married filing separate return This is generally the least advantageous filing status, with the lowest standard deduction and the narrowest tax rate brackets for the 15%, 28%, 31%, 36%, and 39.6% rates. In almost all instances, married couples can save tax dollars by filing a joint return.

Meals and entertainment The deduction for meals and entertainment is unique among expense deductions in *Schedule C, Profit or Loss from Business* and in *Form 2106, Employee Business Expenses*. You cannot take a deduction for the full amount of your expenditures. Generally, the deduction is only 50% of your expenses. When this provision was enacted, members of Congress felt it was inappropriate to allow a full deduction as a business expense because part of the outlay is actually a personal expense.

Medical and dental expenses This is one of the deductions for Schedule A—Itemized Deductions. The deductibility of medical and dental expenses is quite limited. Only the amount of unreimbursed expenses in excess of 7.5% of adjusted gross income is deductible. For example, if your AGI is $30,000, you can only deduct medical and dental expensed that exceed $2,250 (7.5% x $30,000).

Medicare self-employment tax See "Self-employment tax."

Modified adjusted gross income Modified Adjusted Gross Income (AGI) is the taxpayer's AGI shown on the tax return increased by any of the following amounts that the taxpayer has received.

- Tax-exempt interest
- Nontaxable distributions from pensions, annuities, and IRAs unless rolled over into a similar type of plan during the roll-over period.

If the taxpayer has certain losses, those losses may have to be added to the taxpayers AGI to determine modified AGI. For more information, see *Publication 596, Earned Income Credit (EIC).*

Moving expenses You may deduct certain expenses if you moved in connection with your job and you meet certain distance and time requirements. There is a dollar limit on certain types of expenses, and you must include in your income any reimbursement you get from your employer or payments your employer makes directly to your moving company.

O

On Line Filing IRS offers an alternative to paper filing which allows you to file your individual tax return from home using a computer, modem and tax preparation software.

Ordinary dividends Payments that a corporation makes to shareholders from its earnings and profits. Many corporations allow a stockholder to receive dividends in the form of additional corporate stock instead of a money payment. If you have that choice (and in certain other circumstances), ordinary stock dividends are counted as taxable income.

P

Personal allowances worksheet This is the basic worksheet that workers fill out on their Form W-4, *Employee's Withholding Allowance Certificate.* On the Personal Allowances Worksheet, your allowances relate to number of exemptions, filing status, childcare expenses, and whether or not you hold a second job.

Personal exemption An amount of income exempt from taxation. For 1999, an exemption of $2,750 can generally be taken for yourself, your spouse, and others that qualify as your dependents. However, a taxpayer who can be claimed as a dependent on another person's tax return cannot claim his or her own personal exemption. The personal exemption amount is adjusted each year for inflation.

Personal property taxes deductible personal property tax is a state or local tax charged on the value of personal property. This could include tax on cars or boats.

Points See "Deductible points."

Presidential election campaign fund Congress has set up a special fund to help pay for campaign costs for presidential elections. If a taxpayer wants $3 to go to this fund, check the "Yes" box. Checking "Yes" or "No" does not affect the taxpayer's amount of tax owed or refunded. Money in the fund may be distributed to qualified candidates for U.S. President in the general election and in presidential primaries.

Principal business The principal business or professional activity code is the category for your business enterprise. The instructions for Schedule C lists business codes for you to choose from.

Q

Qualifying widow(er) with dependent child This filing status, along with married filing joint return, has the highest standard deduction and the most favorable tax rate brackets. Qualifying widow(er) with dependent child may be a choice for a person whose spouse has died during one of the previous two tax years. The surviving spouse must have a dependent child living in his or her household.

R

Real estate taxes This is one of the allowable deductions for taxes paid in Schedule A—Itemized Deductions. The most common real estate tax is property taxes on your home.

Refund If the total amount of Federal income tax withheld by your employers is greater than your tax obligation, you will usually receive a refund from the IRS.

Refundable credit A tax credit that can bring a refund even if you owe no tax for the year. The earned income tax credit (claimed on Schedule EIC) is a refundable tax credit.

Retirement income Generally, distributions from an individual retirement arrangement, pensions, and annuities are fully taxable. In certain cases, a portion of these types of retirement income may be non-taxable.

Retirement plans Individual Retirement Arrangements (IRAs) are tax-favored retirement investments to help workers provide for retirement. An employee may be able to deduct part or all of his or her deposits to IRA account. Keogh or SEP (Simplified Employee Pension) retirement plans provide for tax deferred payments into retirement programs for self-employed persons.

S

Schedule C Schedule C, *Profit or Loss From Business*, is the form used to compute business net profit (or loss) from a sole proprietorship. Farming businesses, however, use Schedule F. Schedules C and F are filed with Form 1040.

Schedule SE (long or short) If you have earned a net profit from business or self-employment, you usually must file a Schedule, SE Self-Employment Tax. With this schedule you calculate the amount of Social Security and Medicare taxes that you owe. Just as wages and salaries are subject to Social Security tax paid by employers and employees, business owners have to pay Social Security tax on the amount of their net self-employment income.

The Short Schedule is Section A of Schedule SE. Section B of Schedule SE is called the Long Schedule. There are several circumstances that require the use of the Long Schedule. One that is relevant is having wage income, where the combination of wage and self-employment income exceeds $72,600.

Self-employment adjustments Form 1040 is designed to allow self-employed persons tax benefits similar to those available to people who are employees. First, to lighten the burden of the self-employment tax, one-half of the tax is deductible as an adjustment to income on Form 1040. The self-employment tax is calculated on Schedule SE. Second, since employees frequently have medical insurance paid for by employers, the self-employed may be entitled to a partial deduction for health insurance premiums as a Form 1040 adjustment to income.

Self-employment tax If your net profit from a business, reported on Schedule C or Schedule C-EZ, is $400 or more, you must also calculate your self-employment tax using Schedule SE. With this form you calculate your self-employment tax for Social Security and Medicare. The tax base is 92.35% of your net profit. This amount is referred on Schedule SE as net profit. You pay a tax of 15.3% of net profit on up to $72,600 in 1999. On net profit beyond $68,400 you pay a tax of 2.9%. If you paid payroll tax on wage or salary income, your self-employment tax could be less than the amounts calculated from these tax rates. If you have had payroll tax withheld on $30,000 of salary income, this would satisfy the self-employment tax obligation for the first $30,000 of net profit. The burden of the self-employment tax is lightened to some extent by the Form 1040 provision that allows half of self-employment tax to be taken as an adjustment to income. See "Self-employment adjustments."

Single A taxpayer may use the single filing status if on the last day of the year he or she was not married. However, some taxpayers who can use the single filing status may also qualify for head of household or the qualifying widow(er). Because the standard deduction is higher and the tax rate brackets are broader for the latter filing statuses, the smart taxpayer will not use the single status if one of the other choices is available.

Social Security benefits Some taxpayers may have to include part of their Social Security (or railroad retirement) benefits as taxable income. The taxable amount tends to be greater for taxpayers with greater income from sources other than Social Security. The taxable benefit amount cannot exceed 85% of Social Security receipts.

Social Security self-employment tax See "Self-employment tax."

Social Security tax withheld This is the amount withheld specifically to support the federal Social Security program. Your Form W-4, Employee's Withholding Allowance Certificate, does not influence the amount of Social Security tax withheld. In 1999, you paid a tax of 7.65% of wages or salary income up to $72,600. On wages or salary beyond $72,600 you pay a tax of 1.45%. The amount withheld from your paycheck is matched by payments by your employer.

Social Security wages and tips This is the amount of your wages that are subject to Social Security taxation. Frequently this amount, as reported on your W-2 Form, is the same as your total wages. For 1999 the maximum amount for Social Security wages and tips was $72,600. No Social Security tax is paid on wages above this amount.

Sole Proprietor A proprietor is the sole owner of the business. The business is not incorporated and there are no business partners. Schedule C or Schedule C-EZ is used for reporting the profit (or loss) of the proprietorship form of enterprise.

Standard deduction An amount of income that may be deducted from adjusted gross income based on the filing status of the taxpayer. The standard deduction is one of the subtractions from adjusted gross income (AGI) to arrive at taxable income. Generally, the 1999 standard deductions for taxpayers (not elderly or blind) are:

$4,300	Single
$7,200	Married filing jointly & Qualifying widow(er)
$3,600	Married filing separately
$7,200	Head of household

These amounts are limited for taxpayers who cannot be claimed as a dependent on another person's tax return. Elderly taxpayers (age 65 and older) and blind taxpayers may be allowed a standard deduction higher than the basic standard deduction for their filing status. For 1999, a single or head-of-household taxpayer, the standard deduction is increased by $1,050 for being elderly or blind. For married taxpayers the upward adjustment is $850 for each characteristic. If both spouses are elderly and blind, the upward adjustment would be $3,400 (4 x $850).

An alternative to the standard deduction is itemized deductions, which requires filing Schedule A along with Form 1040.

State and local income taxes Many state and local governments have income taxes similar to the federal personal income tax. Any income tax you pay to a state or local government is deductible on the federal personal income tax return if you itemize deductions using *Schedule A, Itemized Deductions.*

T

Taxable income Taxable income is the amount of income that tax rates are applied to for the initial calculation of tax due. Taxable income for Form 1040 is income subject to taxation minus the following: adjustments to income, the standard deduction or itemized deductions, and deductions for personal exemptions. Forms 1040EZ and 1040A do not allow all of the types of subtractions in determining taxable income that are available on Form 1040.

Taxable income Taxable income is the amount of income that tax rates are applied to for the initial calculation of tax due. Taxable income for Form 1040 is income subject to taxation minus the following: adjustments to income, the standard deduction or itemized deductions, and deductions for personal exemptions. Forms 1040EZ and 1040A do not allow all of the types of subtractions in determining taxable income that are available on Form 1040.

Taxable interest income Interest is an agreed payment received for letting someone or some institution use your money. The most common type of interest is payments you receive for deposits in banks or credit unions. Certain types of interest income, such as interest from state or local government bonds, are tax-exempt (or non-taxable).

Tax credit A tax credit, like a tax deduction, reduces the amount of tax you owe. Deductions, like the standard deduction or itemized deductions, are subtractions that lower your taxable income. A tax credit is a dollar-for-dollar subtraction from your tax obligation. A tax credit of one dollar saves you a full dollar in taxes, whereas a tax deduction of one dollar brings less than a dollar in tax saving (either $.15, $.28, $.31, $.36, or $.396 depending on your tax rate bracket). Three frequently used tax credits are: (1) the earned income credit, (2) the credit for child and dependent care expenses and (3) the credit for the elderly or the disabled.

Tax rate bracket The range of taxable income for a particular tax rate. For 1999, the five tax rates for the federal personal income tax are 15%, 28%, 31%, 36%, and 39.6%. The tax rate brackets for these rates vary with filing status on a tax return.

TeleFile This alternative to traditional paper filing allows certain taxpayers to file their 1040EZ tax return via a touch tone telephone.

1040PC This print feature on most tax preparation software allows you to prepare your tax return via computer and send your printed copy to IRS.

Total income Total income is all taxable income before subtracting adjustments to income (such as IRA deposits). Total income does not include tax-exempt income, such as interest from state and local government bonds and scholarship grants to pay for college tuition.

Two-Earner/Two-Job Worksheet This is a part of Form W-4, *Employee Withholding Allowances Certificate*. The name of this worksheet describes its purpose. If you are married and file a joint tax return or if you have two jobs, you may need to complete this worksheet.

U

Unemployment compensation You may have received unemployment compensation benefits under programs administered by the Federal government and/or the state you live in. These benefit payments must be counted as taxable income.

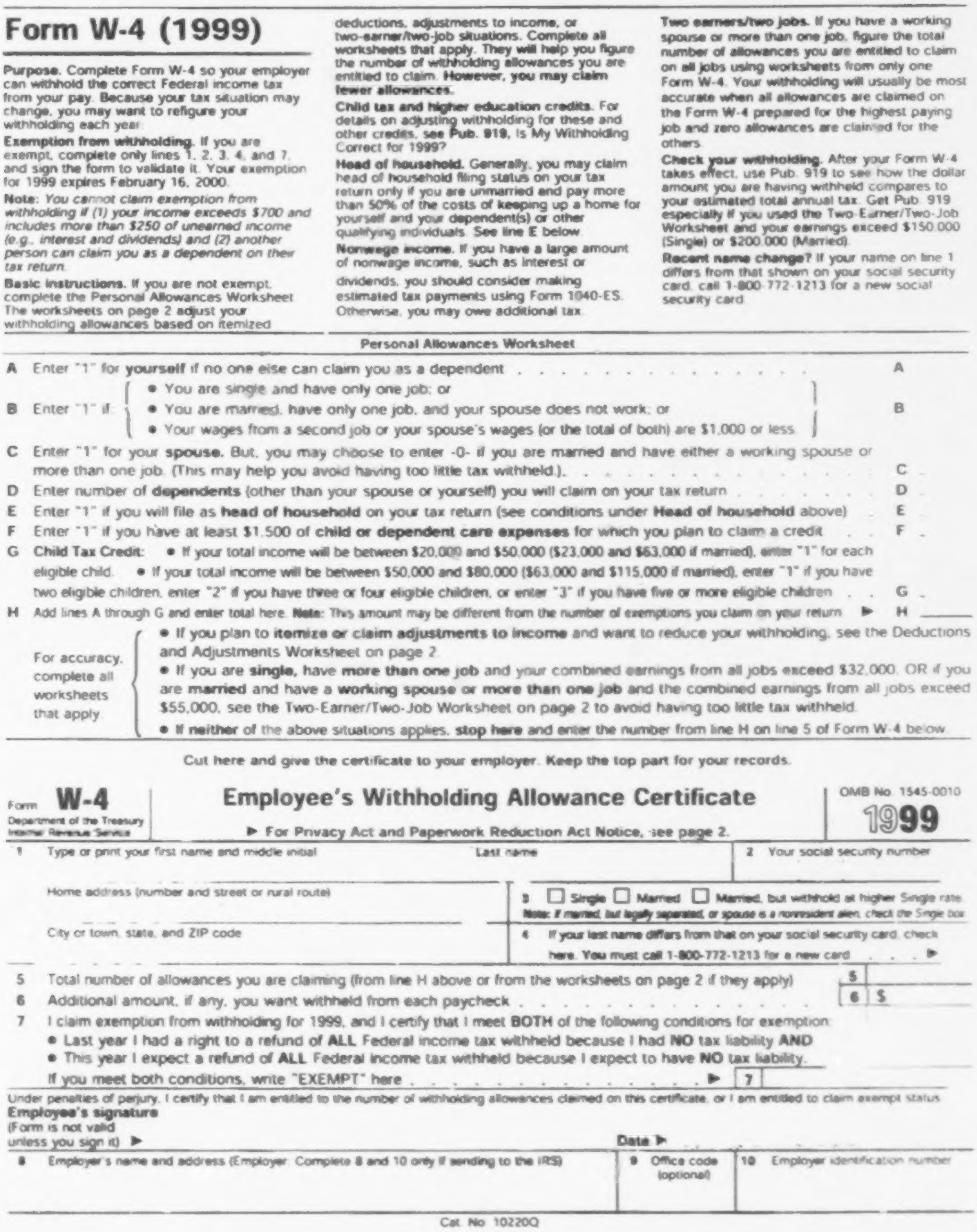
Unreimbursed employee expenses There is one area of itemized deductions in Schedule A - Itemized Deductions. Expenses associated with your employment, such as job travel, union dues, job education, etc., are entered on Schedule A. However, like medical expenses, there is a limitation relating to adjusted gross income. Only expenses over 2% of AGI are deductible. For example, if your AGI is $30,000, you can deduct only the amount that exceeds $600.

W

Wages, salaries, and tips Wages are a form of employee compensation that is typically based on hours worked for an employer. Salaries are a form of employee compensation that is typically a flat weekly or monthly payment from an employer. Tips are voluntary payments received from customers for services provided. Restaurant servers typically receive much of their income in tips.

IRS Tax Forms and Schedules

Appendix B



Form W-4 (1999)

Purpose. Complete Form W-4 so your employer can withhold the correct Federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7, and sign the form to validate it. Your exemption for 1999 expires February 16, 2000.

Note: *You cannot claim exemption from withholding if (1) your income exceeds $700 and includes more than $250 of unearned income (e.g., interest and dividends) and (2) another person can claim you as a dependent on their tax return.*

Basic instructions. If you are not exempt, complete the Personal Allowances Worksheet. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, adjustments to income, or two-earner/two-job situations. Complete all worksheets that apply. They will help you figure the number of withholding allowances you are entitled to claim. **However, you may claim fewer allowances.**

Child tax and higher education credits. For details on adjusting withholding for these and other credits, see **Pub. 919**, Is My Withholding Correct for 1999?

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. **See line E below.**

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, you should consider making estimated tax payments using Form 1040-ES. Otherwise, you may owe additional tax.

Two earners/two jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding will usually be most accurate when all allowances are claimed on the Form W-4 prepared for the highest paying job and zero allowances are claimed for the others.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the dollar amount you are having withheld compares to your estimated total annual tax. Get Pub. 919 especially if you used the Two-Earner/Two-Job Worksheet and your earnings exceed $150,000 (Single) or $200,000 (Married).

Recent name change? If your name on line 1 differs from that shown on your social security card, call 1-800-772-1213 for a new social security card.

Personal Allowances Worksheet

A Enter "1" for **yourself** if no one else can claim you as a dependent . . . . A

B Enter "1" if:
- You are single and have only one job; or
- You are married, have only one job, and your spouse does not work; or
- Your wages from a second job or your spouse's wages (or the total of both) are $1,000 or less. B

C Enter "1" for your **spouse.** But, you may choose to enter -0- if you are married and have either a working spouse or more than one job. (This may help you avoid having too little tax withheld.) C

D Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return . . . . . . D

E Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above) . E

F Enter "1" if you have at least $1,500 of **child or dependent care expenses** for which you plan to claim a credit . . F

G **Child Tax Credit:** • If your total income will be between $20,000 and $50,000 ($23,000 and $63,000 if married), enter "1" for each eligible child. • If your total income will be between $50,000 and $80,000 ($63,000 and $115,000 if married), enter "1" if you have two eligible children, enter "2" if you have three or four eligible children, or enter "3" if you have five or more eligible children . . G

H Add lines A through G and enter total here. **Note:** This amount may be different from the number of exemptions you claim on your return ▶ H ______

For accuracy, complete all worksheets that apply:
- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.
- If you are **single,** have **more than one job** and your combined earnings from all jobs exceed $32,000, OR if you are **married** and have a **working spouse or more than one job** and the combined earnings from all jobs exceed $55,000, see the Two-Earner/Two-Job Worksheet on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

Cut here and give the certificate to your employer. Keep the top part for your records.

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ For Privacy Act and Paperwork Reduction Act Notice, see page 2.

OMB No. 1545-0010
1999

1 Type or print your first name and middle initial — Last name

2 Your social security number

Home address (number and street or rural route)

3 ☐ Single ☐ Married ☐ Married, but withhold at higher Single rate.
Note: *If married, but legally separated, or spouse is a nonresident alien, check the Single box.*

City or town, state, and ZIP code

4 If your last name differs from that on your social security card, check here. You must call 1-800-772-1213 for a new card . . . ▶ ☐

5 Total number of allowances you are claiming (from line H above or from the worksheets on page 2 if they apply) 5

6 Additional amount, if any, you want withheld from each paycheck . . . . 6 $

7 I claim exemption from withholding for 1999, and I certify that I meet BOTH of the following conditions for exemption:
- Last year I had a right to a refund of **ALL** Federal income tax withheld because I had **NO** tax liability **AND**
- This year I expect a refund of **ALL** Federal income tax withheld because I expect to have **NO** tax liability.

If you meet both conditions, write "EXEMPT" here . . . . ▶ 7

Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate, or I am entitled to claim exempt status.

Employee's signature
(Form is not valid
unless you sign it) ▶ Date ▶

8 Employer's name and address (Employer: Complete 8 and 10 only if sending to the IRS)

9 Office code (optional)

10 Employer identification number

Cat. No. 10220Q

Form W-4 (1999) Page **2**

Deductions and Adjustments Worksheet

Note: *Use this worksheet only if you plan to itemize deductions or claim adjustments to income on your 1999 tax return.*

1 Enter an estimate of your 1999 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes (but not sales taxes), medical expenses in excess of 7.5% of your income, and miscellaneous deductions. (For 1999, you may have to reduce your itemized deductions if your income is over $126,600 ($63,300 if married filing separately). Get Pub. 919 for details.) . . . 1 $ ________

2 Enter: { $7,200 if married filing jointly or qualifying widow(er) / $6,350 if head of household / $4,300 if single / $3,600 if married filing separately } . . . 2 $ ________

3 **Subtract** line 2 from line 1. If line 2 is greater than line 1, enter -0- . . . 3 $ ________

4 Enter an estimate of your 1999 adjustments to income, including alimony, deductible IRA contributions, and student loan interest . . . 4 $ ________

5 **Add** lines 3 and 4 and enter the total . . . 5 $ ________

6 Enter an estimate of your 1999 nonwage income (such as dividends or interest) . . . 6 $ ________

7 **Subtract** line 6 from line 5. Enter the result, but not less than -0- . . . 7 $ ________

8 **Divide** the amount on line 7 by $3,000 and enter the result here. Drop any fraction . . . 8 ________

9 Enter the number from Personal Allowances Worksheet, line H, on page 1 . . . 9 ________

10 **Add** lines 8 and 9 and enter the total here. If you plan to use the Two-Earner/Two-Job Worksheet, also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, on page 1 . . . 10

Two-Earner/Two-Job Worksheet

Note: *Use this worksheet only if the instructions for line H on page 1 direct you here.*

1 Enter the number from line H on page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet) 1

2 Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here . . . 2

3 If line 1 is **GREATER THAN OR EQUAL TO** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter -0-) and on Form W-4, line 5, on page 1. **DO NOT** use the rest of this worksheet . . . 3

Note: *If line 1 is **LESS THAN** line 2, enter -0- on Form W-4, line 5, on page 1. Complete lines 4–9 to calculate the additional withholding amount necessary to avoid a year end tax bill.*

4 Enter the number from line 2 of this worksheet . . . 4 ________

5 Enter the number from line 1 of this worksheet . . . 5 ________

6 **Subtract** line 5 from line 4 . . . 6 ________

7 Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here . . . 7 $ ________

8 **Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding amount needed 8 ________

9 Divide line 8 by the number of pay periods remaining in 1999. (For example, divide by 26 if you are paid every other week and you complete this form in December 1998.) Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck . . . 9 $

Table 1: Two-Earner/Two-Job Worksheet

Married Filing Jointly				All Others			
If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above
$0 - $4,000	0	40,001 - 45,000	8	$0 - $5,000	0	65,001 - 80,000	8
4,001 - 7,000	1	45,001 - 54,000	9	5,001 - 11,000	1	80,001 - 100,000	9
7,001 - 12,000	2	54,001 - 62,000	10	11,001 - 16,000	2	100,001 and over	10
12,001 - 18,000	3	62,001 - 70,000	11	16,001 - 21,000	3		
18,001 - 24,000	4	70,001 - 85,000	12	21,001 - 25,000	4		
24,001 - 28,000	5	85,001 - 100,000	13	25,001 - 40,000	5		
28,001 - 35,000	6	100,001 - 110,000	14	40,001 - 50,000	6		
35,001 - 40,000	7	110,001 and over	15	50,001 - 65,000	7		

Table 2: Two-Earner/Two-Job Worksheet

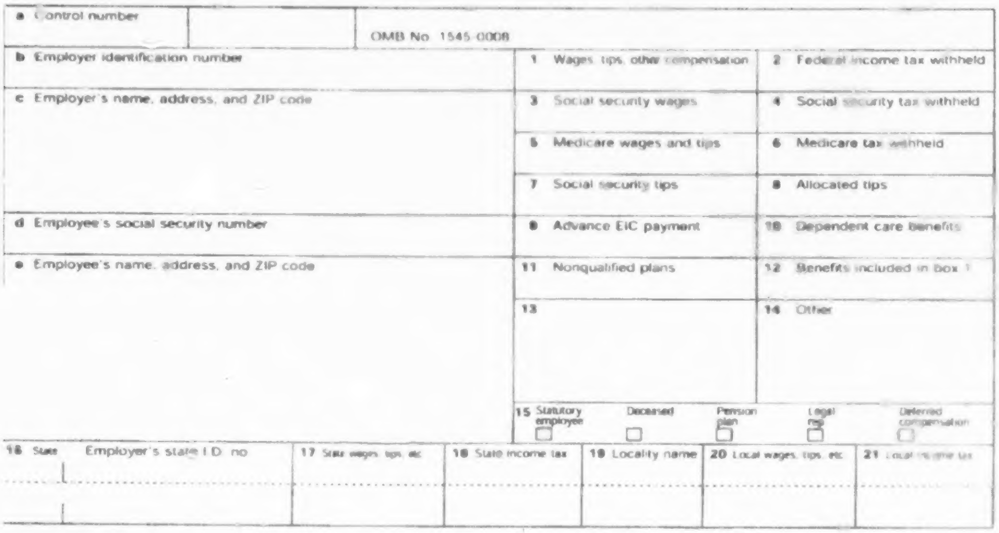
Married Filing Jointly		All Others	
If wages from **HIGHEST** paying job are—	Enter on line 7 above	If wages from **HIGHEST** paying job are—	Enter on line 7 above
$0 - $50,000	$400	$0 - $30,000	$400
50,001 - 100,000	770	30,001 - 60,000	770
100,001 - 130,000	850	60,001 - 120,000	850
130,001 - 240,000	1,000	120,001 - 250,000	1,000
240,001 and over	1,100	250,001 and over	1,100

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. The Internal Revenue Code requires this information under sections 3402(f)(2)(A) and 6109 and their regulations. Failure to provide a **properly** completed form will result in your being treated as a single person who claims no withholding allowances; **providing fraudulent information may also subject you to penalties.** Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, and the District of Columbia for use in administering their tax laws.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping** 46 min., **Learning about the law or the form** 10 min., **Preparing the form** 1 hr., 10 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the tax form to this address. Instead, give it to your employer.

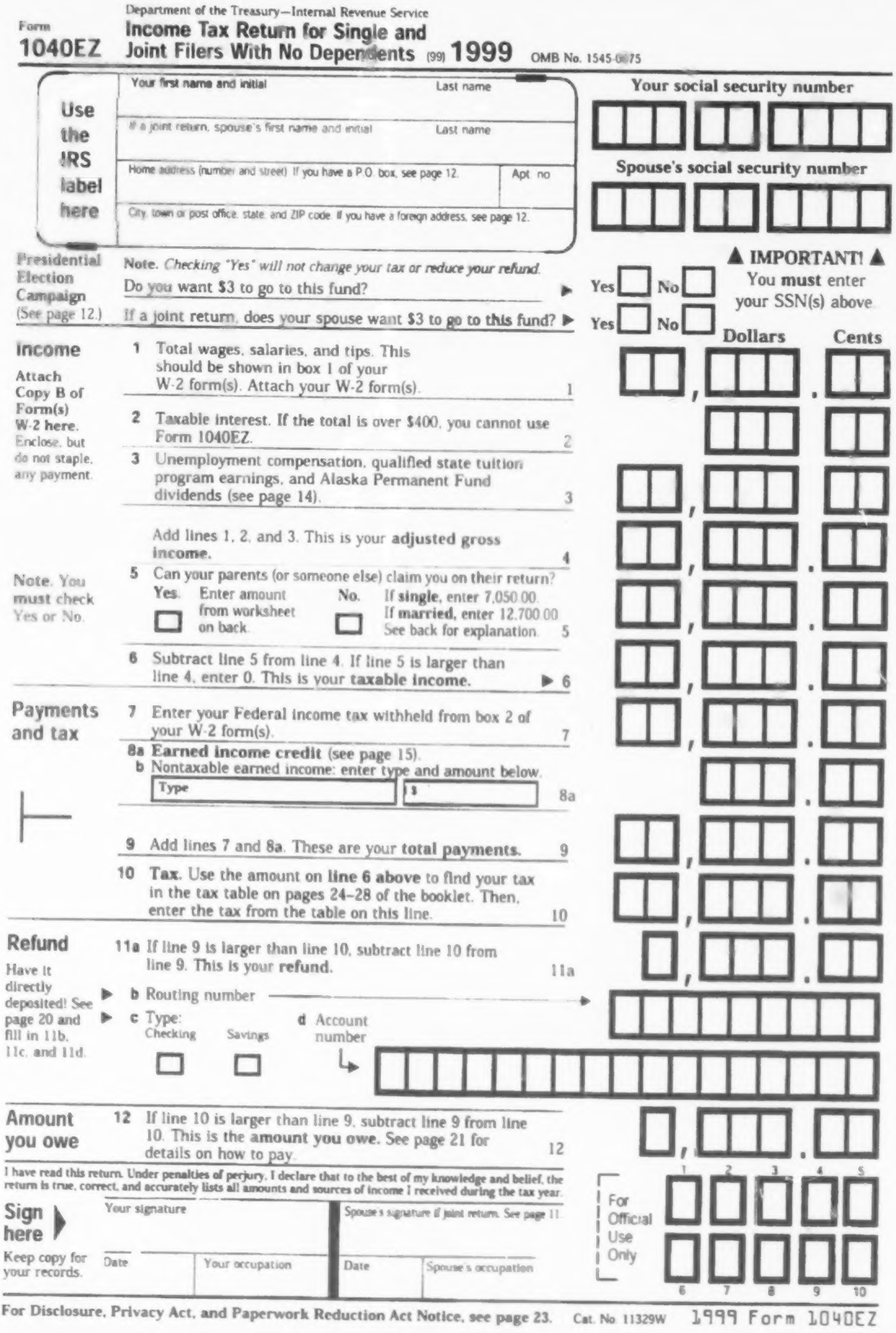
Form W-2



a Control number		OMB No. 1545-0008

b Employer identification number	1 Wages, tips, other compensation	2 Federal income tax withheld
c Employer's name, address, and ZIP code	3 Social security wages	4 Social security tax withheld
	5 Medicare wages and tips	6 Medicare tax withheld
	7 Social security tips	8 Allocated tips
d Employee's social security number	9 Advance EIC payment	10 Dependent care benefits
e Employee's name, address, and ZIP code	11 Nonqualified plans	12 Benefits included in box 1
	13	14 Other
	15 Statutory employee ☐ Deceased ☐ Pension plan ☐ Legal rep. ☐ Deferred compensation ☐	

16 State	Employer's state I.D. no.	17 State wages, tips, etc.	18 State income tax	19 Locality name	20 Local wages, tips, etc.	21 Local income tax



Form **1040EZ**

Department of the Treasury—Internal Revenue Service

Income Tax Return for Single and Joint Filers With No Dependents (99) **1999** OMB No. 1545-0675

Use the IRS label here

Your first name and initial | Last name

If a joint return, spouse's first name and initial | Last name

Home address (number and street). If you have a P.O. box, see page 12. | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 12.

Your social security number

Spouse's social security number

Presidential Election Campaign (See page 12.)

Note. *Checking "Yes" will not change your tax or reduce your refund.*

Do you want $3 to go to this fund? ▶ Yes ☐ No ☐

If a joint return, does your spouse want $3 to go to this fund? ▶ Yes ☐ No ☐

▲ **IMPORTANT!** ▲ You **must** enter your SSN(s) above.

Dollars **Cents**

Income

Attach Copy B of Form(s) W-2 here. Enclose, but do not staple, any payment.

1 Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s). 1

2 Taxable interest. If the total is over $400, you cannot use Form 1040EZ. 2

3 Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends (see page 14). 3

4 Add lines 1, 2, and 3. This is your **adjusted gross income.** 4

Note. You must check Yes or No.

5 Can your parents (or someone else) claim you on their return?

Yes. Enter amount from worksheet on back. ☐

No. If **single**, enter 7,050.00. If **married**, enter 12,700.00. See back for explanation. ☐ 5

6 Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your **taxable income.** ▶ 6

Payments and tax

7 Enter your Federal income tax withheld from box 2 of your W-2 form(s). 7

8a **Earned income credit** (see page 15).

b Nontaxable earned income: enter type and amount below.

Type | $ 8a

9 Add lines 7 and 8a. These are your **total payments.** 9

10 **Tax.** Use the amount on **line 6 above** to find your tax in the tax table on pages 24–28 of the booklet. Then, enter the tax from the table on this line. 10

Refund

Have it directly deposited! See page 20 and fill in 11b, 11c, and 11d.

11a If line 9 is larger than line 10, subtract line 10 from line 9. This is your **refund.** 11a

▶ b Routing number

▶ c Type: Checking ☐ Savings ☐

d Account number

Amount you owe

12 If line 10 is larger than line 9, subtract line 9 from line 10. This is the **amount you owe.** See page 21 for details on how to pay. 12

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and accurately lists all amounts and sources of income I received during the tax year.

Sign here ▶ Keep copy for your records.

Your signature | Spouse's signature if joint return. See page 11.

Date | Your occupation | Date | Spouse's occupation

For Official Use Only 1 2 3 4 5 6 7 8 9 10

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 23. Cat. No. 11329W 1999 Form 1040EZ

Form 1040EZ (1999) Page **2**

Use this form if

- Your filing status is single or married filing jointly.
- You (and your spouse if married) were under 65 on January 1, 2000, and not blind at the end of 1999.
- You do not claim any dependents.
- Your taxable income (line 6) is less than $50,000.
- You do not claim a student loan interest deduction (see page 8) or an education credit.
- You had **only** wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, qualified state tuition program earnings, or Alaska Permanent Fund dividends, and your taxable interest was not over $400. **But** if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 13. If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see page 14.
- You did not receive any advance earned income credit payments.

If you are not sure about your filing status, see page 11. If you have questions about dependents, use TeleTax topic 354 (see page 6). If you **cannot use this form,** use TeleTax topic 352 (see page 6).

Filling in your return

For tips on how to avoid common mistakes, see page 29.

Enter your (and your spouse's if married) social security number on the front. Because this form is read by a machine, please print your numbers inside the boxes like this:

9 8 7 6 5 4 3 2 1 0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing Federal income tax withheld or if Federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

Remember, you must report all wages, salaries, and tips even if you do not get a W-2 form from your employer. You must also report all your taxable interest, including interest from banks, savings and loans, credit unions, etc., even if you do not get a Form 1099-INT.

Worksheet for dependents who checked "Yes" on line 5

(keep a copy for your records)

Use this worksheet to figure the amount to enter on line 5 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, use TeleTax topic 354 (see page 6).

A. Amount, if any, from line 1 on front ____ + 250.00 Enter total ▶	A.	
B. Minimum standard deduction	B.	700.00
C. Enter the LARGER of line A or line B here	C.	
D. Maximum standard deduction. If **single,** enter 4,300.00; if **married,** enter 7,200.00	D.	
E. Enter the SMALLER of line C or line D here. This is your standard deduction	E.	
F. Exemption amount. • If single, enter 0. • If married and— —both you and your spouse can be claimed as dependents, enter 0. —only one of you can be claimed as a dependent, enter 2,750.00.	F.	
G. Add lines E and F. Enter the total here and on line 5 on the front	G.	

If you checked "No" on line 5 because no one can claim you (or your spouse if married) as a dependent, enter on line 5 the amount shown below that applies to you.

- Single, enter 7,050.00. This is the total of your standard deduction (4,300.00) and your exemption (2,750.00).
- Married, enter 12,700.00. This is the total of your standard deduction (7,200.00), your exemption (2,750.00), and your spouse's exemption (2,750.00).

Mailing return

Mail your return by **April 17, 2000.** Use the envelope that came with your booklet. If you do not have that envelope, see page 32 for the address to use.

Paid preparer's use only

See page 21.

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income received during the tax year. This declaration is based on all information of which I have any knowledge.

Preparer's signature ▶

Date

Check if self-employed ☐

Preparer's SSN or PTIN

Firm's name (or yours if self-employed) and address ▶

EIN

Form **1040EZ** (1999)

Form **1040A** Department of the Treasury—Internal Revenue Service

U.S. Individual Income Tax Return **1999** IRS Use Only—Do not write or staple in this space.

OMB No. 1545-0085

Label (See page 19.)

Use the IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial	Last name	**Your social security number**
If a joint return, spouse's first name and initial	Last name	Spouse's social security number
Home address (number and street). If you have a P.O. box, see page 20.	Apt. no.	
City, town or post office, state, and ZIP code. If you have a foreign address, see page 20.		

▲ **IMPORTANT!** ▲

You **must** enter your SSN(s) above.

Presidential Election Campaign Fund (See page 20.)

Do you want $3 to go to this fund? . . . . Yes No

If a joint return, does your spouse want $3 to go to this fund?

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing status

Check only one box

1 ☐ Single

2 ☐ Married filing joint return (even if only one had income)

3 ☐ Married filing separate return. Enter spouse's social security number above and full name here. ▶

4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶

5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 22.)

Exemptions

6a ☐ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a.

b ☐ Spouse

No. of boxes checked on 6a and 6b ____

c Dependents:

If more than seven dependents, see page 22.

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 23)
			☐
			☐
			☐
			☐
			☐
			☐
			☐

No. of your children on 6c who:

- lived with you ____
- did not live with you due to divorce or separation (see page 24) ____

Dependents on 6c not entered above ____

d Total number of exemptions claimed.

Add numbers entered on lines above ☐

Income

Attach Copy B of your Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 25.

Enclose, but do not staple, any payment.

7 Wages, salaries, tips, etc. Attach Form(s) W-2. 7

8a **Taxable** interest. Attach Schedule 1 if required. 8a

b **Tax-exempt** interest. DO NOT include on line 8a. 8b

9 Ordinary dividends. Attach Schedule 1 if required. 9

10a Total IRA distributions. 10a 10b Taxable amount (see page 25). 10b

11a Total pensions and annuities. 11a 11b Taxable amount (see page 26). 11b

12 Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends. 12

13a Social security benefits. 13a 13b Taxable amount (see page 28). 13b

14 Add lines 7 through 13b (far right column). This is your **total income.** ▶ 14

Adjusted gross income

15 IRA deduction (see page 30). 15

16 Student loan interest deduction (see page 30). 16

17 Add lines 15 and 16. These are your **total adjustments.** 17

18 Subtract line 17 from line 14. This is your **adjusted gross income.** ▶ 18

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 53. Cat. No. 11327A Form **1040A** (1999)

Form 1040A (1999) Page 2

Taxable income	19	Enter the amount from line 18.		19
	20a	Check if: ☐ You were 65 or older ☐ Blind ☐ **Spouse** was 65 or older ☐ Blind	**Enter number of boxes checked** ▶ 20a ☐	
	b	If you are married filing separately and your spouse itemizes deductions, see page 32 and check here . . . . ▶ 20b ☐		
	21	Enter the **standard deduction** for your filing status. **But** see page 33 if you checked any box on line 20a or 20b **OR** if someone can claim you as a dependent. • Single—$4,300 • Married filing jointly or Qualifying widow(er)—$7,200 • Head of household—$6,350 • Married filing separately—$3,600		21
	22	Subtract line 21 from line 19. If line 21 is more than line 19, enter -0-.		22
	23	Multiply $2,750 by the total number of exemptions claimed on line 6d.		23
	24	Subtract line 23 from line 22. If line 23 is more than line 22, enter -0-. This is your **taxable income.** ▶		24
Tax, credits, and payments	25	Find the tax on the amount on line 24 (see page 34).		25
	26	Credit for child and dependent care expenses. Attach Schedule 2.	26	
	27	Credit for the elderly or the disabled. Attach Schedule 3.	27	
	28	Child tax credit (see page 35).	28	
	29	Education credits. Attach Form 8863.	29	
	30	Adoption credit. Attach Form 8839.	30	
	31	Add lines 26 through 30. These are your **total credits.**		31
	32	Subtract line 31 from line 25. If line 31 is more than line 25, enter -0-.		32
	33	Advance earned income credit payments from Form(s) W-2.		33
	34	Add lines 32 and 33. This is your **total tax.** ▶		34
	35	Total Federal income tax withheld from Forms W-2 and 1099.	35	
	36	1999 estimated tax payments and amount applied from 1998 return.	36	
	37a	**Earned income credit.** Attach Schedule EIC if you have a qualifying child.	37a	
	b	Nontaxable earned income: amount ▶ and type ▶		
	38	Additional child tax credit. Attach Form 8812.	38	
	39	Add lines 35, 36, 37a, and 38. These are your **total payments.** ▶		39
Refund Have it directly deposited! See page 47 and fill in 41b, 41c, and 41d.	40	If line 39 is more than line 34, subtract line 34 from line 39. This is the amount you **overpaid.**		40
	41a	Amount of line 40 you want **refunded to you.**		41a
	▶ b	Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings		
	▶ d	Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐		
	42	Amount of line 40 you want applied to your **2000 estimated tax.**	42	
Amount you owe	43	If line 34 is more than line 39, subtract line 39 from line 34. This is the **amount you owe.** For details on how to pay, see page 48.		43
	44	Estimated tax penalty (see page 48).	44	

Sign here

Joint return? See page 20. Keep a copy for your records.

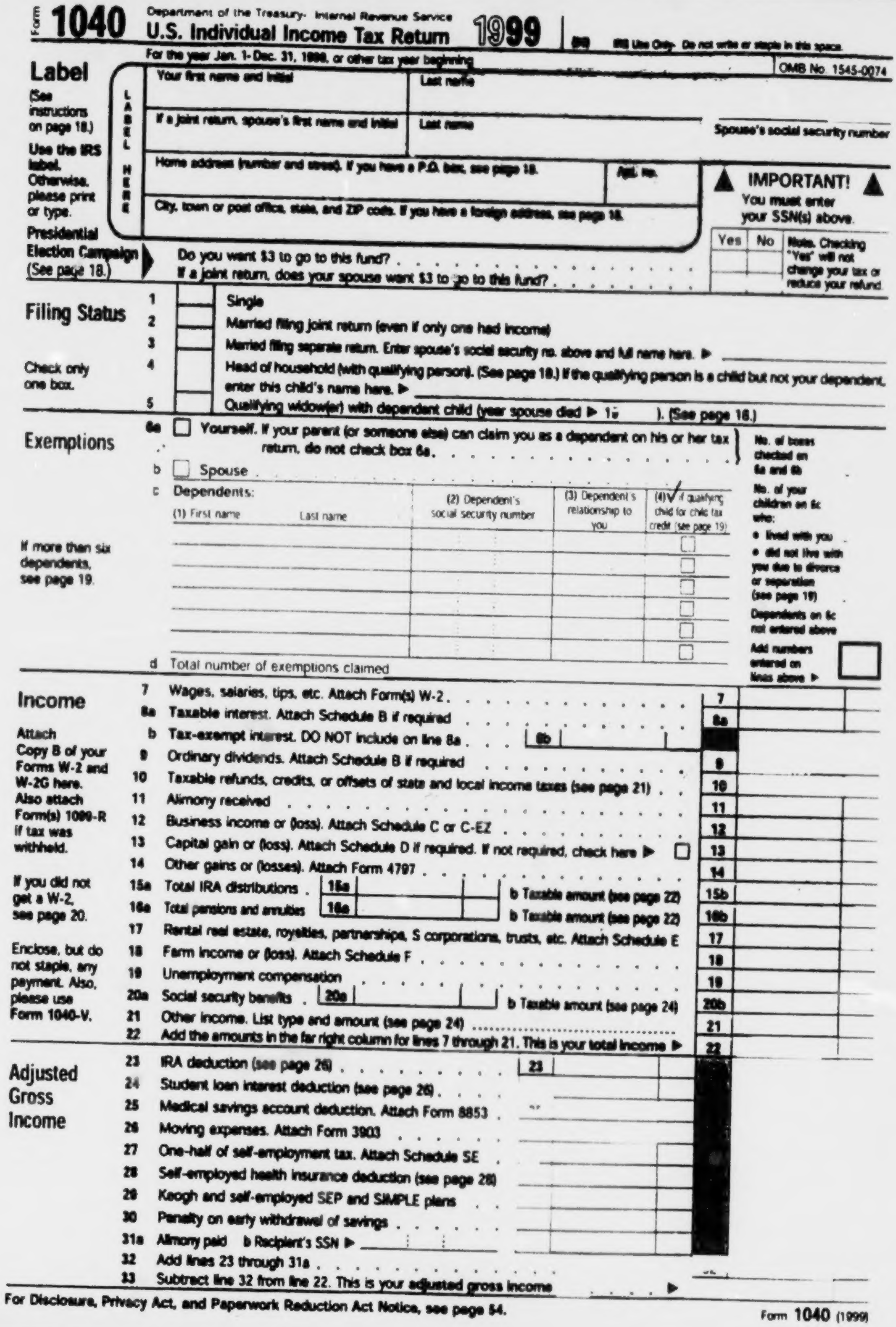
Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Your signature	Date	Your occupation	Daytime telephone number (optional)
Spouse's signature. If joint return, BOTH must sign.	Date	Spouse's occupation	

Paid preparer's use only

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶			EIN
			ZIP code

Form 1040A (1999)



Form **1040** Department of the Treasury– Internal Revenue Service
U.S. Individual Income Tax Return **1999** (99) IRS Use Only– Do not write or staple in this space.

For the year Jan. 1–Dec. 31, 1999, or other tax year beginning
OMB No. 1545-0074

Label (See instructions on page 18.) **Use the IRS label.** Otherwise, please print or type.

LABEL HERE

Your first name and initial | Last name

If a joint return, spouse's first name and initial | Last name | Spouse's social security number

Home address (number and street). If you have a P.O. box, see page 18. | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 18.

▲ **IMPORTANT!** ▲ You must enter your SSN(s) above.

Presidential Election Campaign (See page 18.) ▶
Do you want $3 to go to this fund?
If a joint return, does your spouse want $3 to go to this fund?
Yes No **Note.** Checking "Yes" will not change your tax or reduce your refund.

Filing Status

Check only one box.

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See page 18.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 18.)

Exemptions

6a ☐ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a.
b ☐ Spouse
c Dependents:

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 19)
			☐
			☐
			☐
			☐
			☐
			☐

If more than six dependents, see page 19.

d Total number of exemptions claimed

No. of boxes checked on 6a and 6b
No. of your children on 6c who:
- lived with you
- did not live with you due to divorce or separation (see page 19)

Dependents on 6c not entered above
Add numbers entered on lines above ▶ ☐

Income

Attach Copy B of your Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 20.

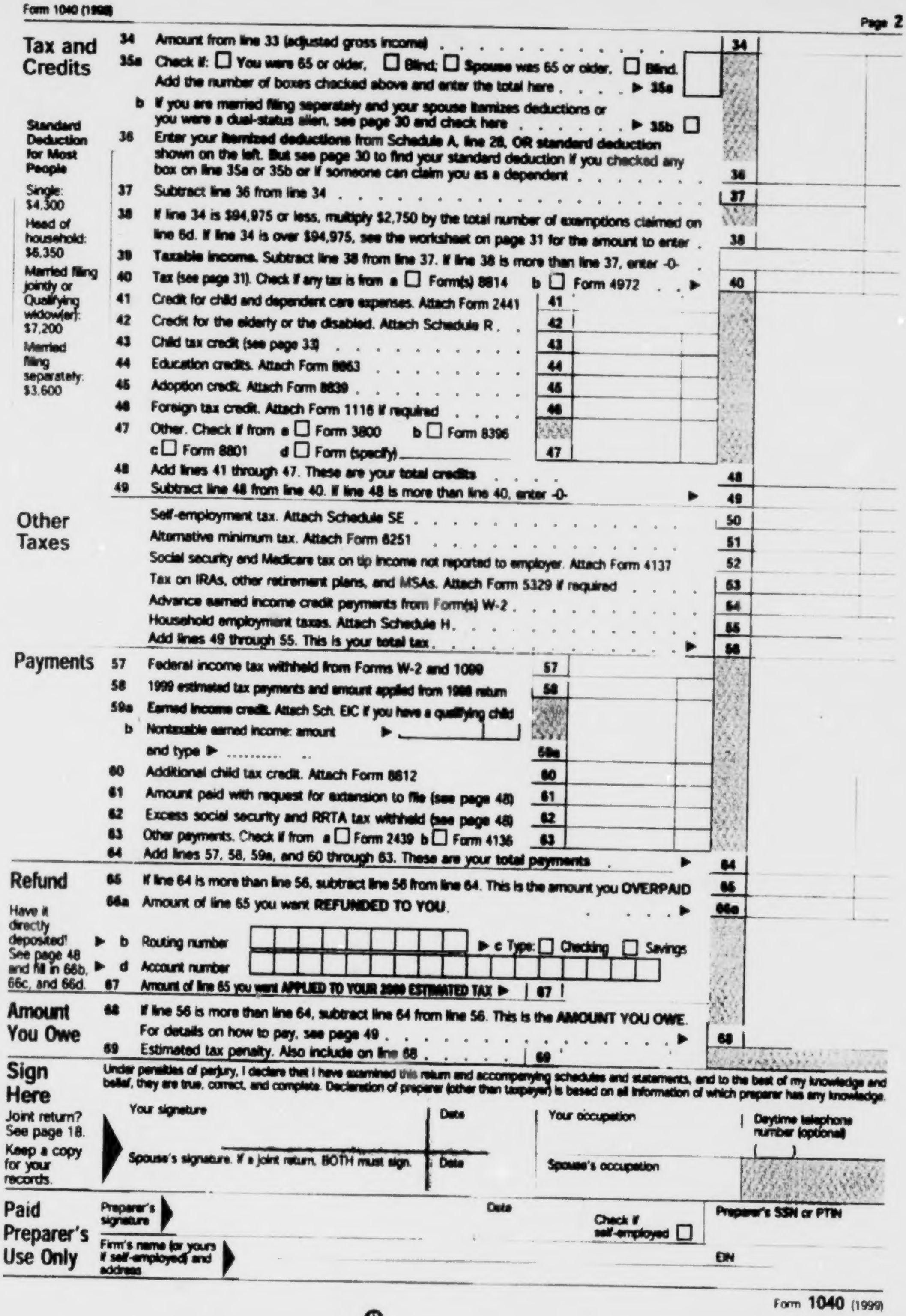
Enclose, but do not staple, any payment. Also, please use Form 1040-V.

7 Wages, salaries, tips, etc. Attach Form(s) W-2 — 7
8a **Taxable** interest. Attach Schedule B if required — 8a
b **Tax-exempt** interest. DO NOT include on line 8a — 8b
9 Ordinary dividends. Attach Schedule B if required — 9
10 Taxable refunds, credits, or offsets of state and local income taxes (see page 21) — 10
11 Alimony received — 11
12 Business income or (loss). Attach Schedule C or C-EZ — 12
13 Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐ — 13
14 Other gains or (losses). Attach Form 4797 — 14
15a Total IRA distributions 15a — b Taxable amount (see page 22) — 15b
16a Total pensions and annuities 16a — b Taxable amount (see page 22) — 16b
17 Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E — 17
18 Farm income or (loss). Attach Schedule F — 18
19 Unemployment compensation — 19
20a Social security benefits 20a — b Taxable amount (see page 24) — 20b
21 Other income. List type and amount (see page 24) — 21
22 Add the amounts in the far right column for lines 7 through 21. This is your **total income** ▶ — 22

Adjusted Gross Income

23 IRA deduction (see page 26) — 23
24 Student loan interest deduction (see page 26)
25 Medical savings account deduction. Attach Form 8853
26 Moving expenses. Attach Form 3903
27 One-half of self-employment tax. Attach Schedule SE
28 Self-employed health insurance deduction (see page 28)
29 Keogh and self-employed SEP and SIMPLE plans
30 Penalty on early withdrawal of savings
31a Alimony paid b Recipient's SSN ▶
32 Add lines 23 through 31a
33 Subtract line 32 from line 22. This is your **adjusted gross income** ▶

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 54. Form **1040** (1999)



Form 1040 (1999) Page **2**

Tax and Credits

34 Amount from line 33 (adjusted gross income) 34

35a Check if: ☐ You were 65 or older, ☐ Blind; ☐ Spouse was 65 or older, ☐ Blind.
Add the number of boxes checked above and enter the total here . . . . ▶ 35a ☐

b If you are married filing separately and your spouse itemizes deductions or you were a dual-status alien, see page 30 and check here . . . . ▶ 35b ☐

Standard Deduction for Most People

- Single: $4,300
- Head of household: $6,350
- Married filing jointly or Qualifying widow(er): $7,200
- Married filing separately: $3,600

36 Enter your **itemized deductions** from Schedule A, line 28, OR **standard deduction** shown on the left. **But** see page 30 to find your standard deduction if you checked any box on line 35a or 35b or if someone can claim you as a dependent 36

37 Subtract line 36 from line 34 37

38 If line 34 is $94,975 or less, multiply $2,750 by the total number of exemptions claimed on line 6d. If line 34 is over $94,975, see the worksheet on page 31 for the amount to enter . 38

39 **Taxable income.** Subtract line 38 from line 37. If line 38 is more than line 37, enter -0- .

40 Tax (see page 31). Check if any tax is from a ☐ Form(s) 8814 b ☐ Form 4972 . . ▶ 40

41 Credit for child and dependent care expenses. Attach Form 2441 41

42 Credit for the elderly or the disabled. Attach Schedule R . . 42

43 Child tax credit (see page 33) 43

44 Education credits. Attach Form 8863 44

45 Adoption credit. Attach Form 8839 45

46 Foreign tax credit. Attach Form 1116 if required 46

47 Other. Check if from a ☐ Form 3800 b ☐ Form 8396
c ☐ Form 8801 d ☐ Form (specify) ________ 47

48 Add lines 41 through 47. These are your **total credits** 48

49 Subtract line 48 from line 40. If line 48 is more than line 40, enter -0- ▶ 49

Other Taxes

Self-employment tax. Attach Schedule SE 50

Alternative minimum tax. Attach Form 6251 51

Social security and Medicare tax on tip income not reported to employer. Attach Form 4137 52

Tax on IRAs, other retirement plans, and MSAs. Attach Form 5329 if required 53

Advance earned income credit payments from Form(s) W-2 54

Household employment taxes. Attach Schedule H 55

Add lines 49 through 55. This is your **total tax** . . . . ▶ 56

Payments

57 Federal income tax withheld from Forms W-2 and 1099 57

58 1999 estimated tax payments and amount applied from 1998 return 58

59a **Earned income credit.** Attach Sch. EIC if you have a qualifying child

b Nontaxable earned income: amount ▶ ________
and type ▶ 59a

60 Additional child tax credit. Attach Form 8812 60

61 Amount paid with request for extension to file (see page 48) 61

62 Excess social security and RRTA tax withheld (see page 48) 62

63 Other payments. Check if from a ☐ Form 2439 b ☐ Form 4136 63

64 Add lines 57, 58, 59a, and 60 through 63. These are your **total payments** . ▶ 64

Refund

65 If line 64 is more than line 56, subtract line 56 from line 64. This is the amount you **OVERPAID** 65

66a Amount of line 65 you want **REFUNDED TO YOU** . . . . . . ▶ 66a

Have it directly deposited! See page 48 and fill in 66b, 66c, and 66d.

▶ b Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings

▶ d Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐

67 Amount of line 65 you want **APPLIED TO YOUR 2000 ESTIMATED TAX** ▶ 67

Amount You Owe

68 If line 56 is more than line 64, subtract line 64 from line 56. This is the **AMOUNT YOU OWE**.
For details on how to pay, see page 49 . . . . ▶ 68

69 Estimated tax penalty. Also include on line 68 69

Sign Here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Joint return? See page 18.
Keep a copy for your records.

Your signature | Date | Your occupation | Daytime telephone number (optional) ( )

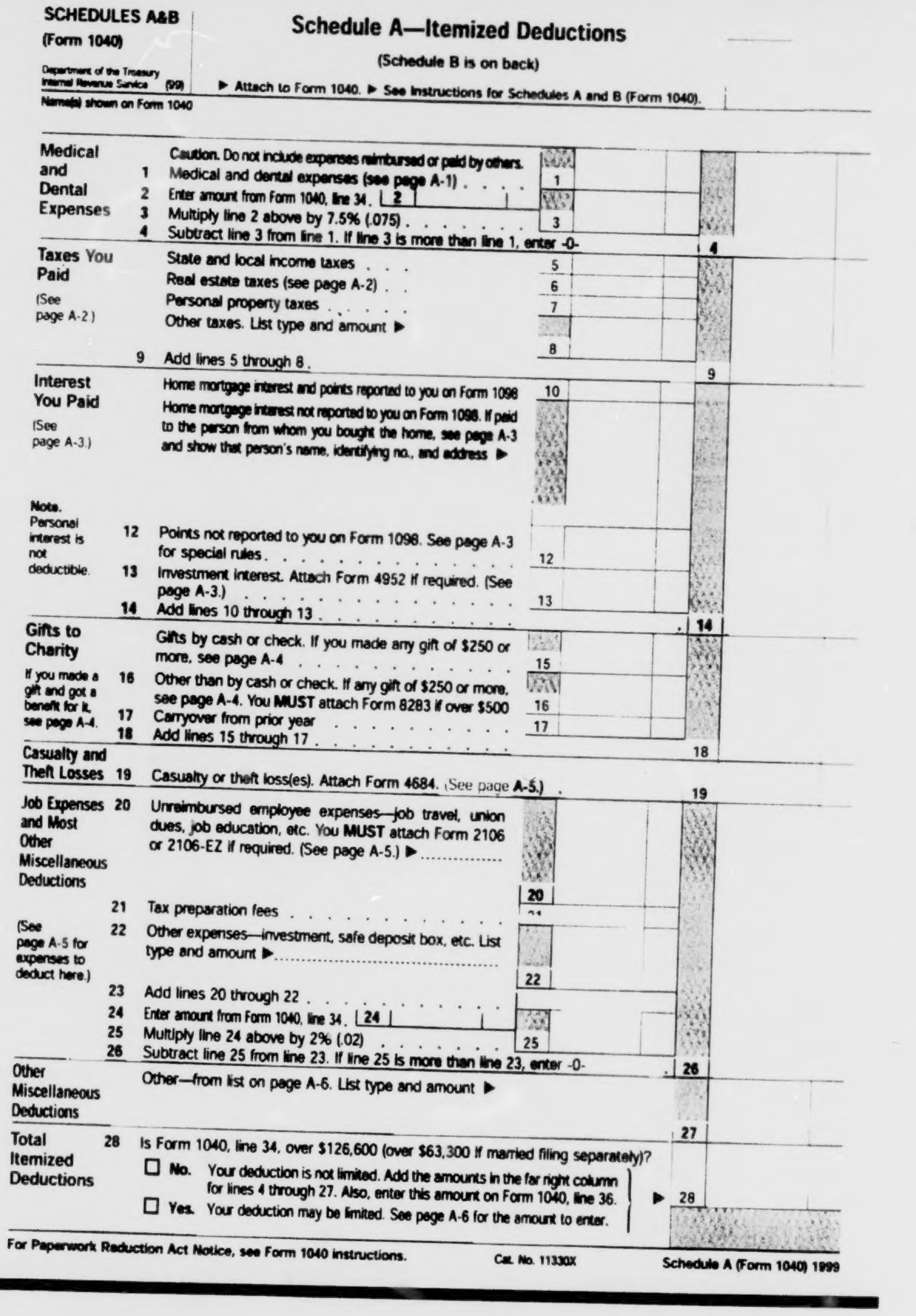
Spouse's signature. If a joint return, BOTH must sign. | Date | Spouse's occupation

Paid Preparer's Use Only

Preparer's signature | Date | Check if self-employed ☐ | Preparer's SSN or PTIN

Firm's name (or yours if self-employed) and address | EIN

Form **1040** (1999)



SCHEDULES A&B
(Form 1040)
Department of the Treasury
Internal Revenue Service (99)

Schedule A—Itemized Deductions

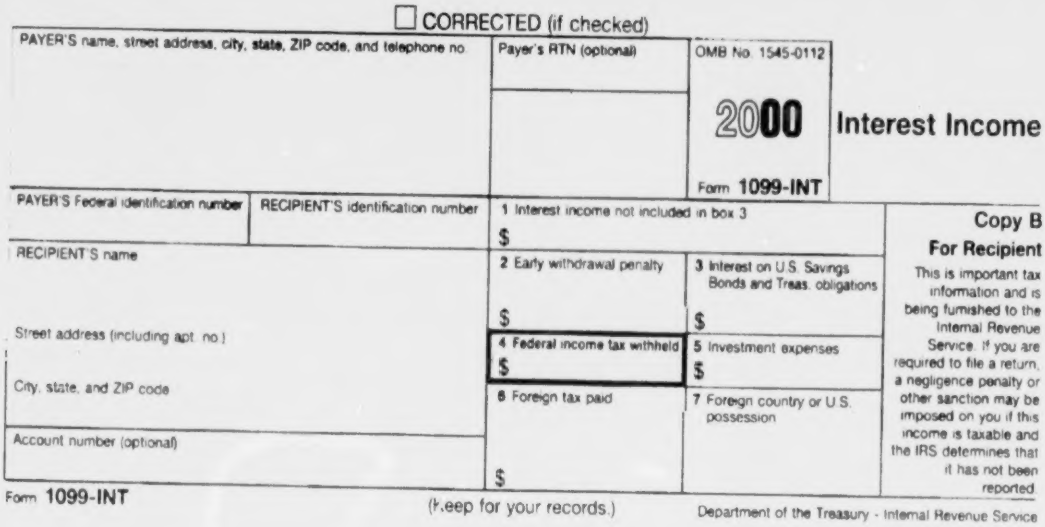
(Schedule B is on back)

▶ Attach to Form 1040. ▶ See Instructions for Schedules A and B (Form 1040).

Name(s) shown on Form 1040

Medical and Dental Expenses		Caution. Do not include expenses reimbursed or paid by others.		
	1	Medical and dental expenses (see page A-1)	1	
	2	Enter amount from Form 1040, line 34. 2		
	3	Multiply line 2 above by 7.5% (.075)	3	
	4	Subtract line 3 from line 1. If line 3 is more than line 1, enter -0-		4
Taxes You Paid (See page A-2.)		State and local income taxes . . .	5	
		Real estate taxes (see page A-2) . .	6	
		Personal property taxes	7	
		Other taxes. List type and amount ▶	8	
	9	Add lines 5 through 8 .		9
Interest You Paid (See page A-3.)		Home mortgage interest and points reported to you on Form 1098	10	
		Home mortgage interest not reported to you on Form 1098. If paid to the person from whom you bought the home, see page A-3 and show that person's name, identifying no., and address ▶		
Note. Personal interest is not deductible.	12	Points not reported to you on Form 1098. See page A-3 for special rules	12	
	13	Investment interest. Attach Form 4952 if required. (See page A-3.)	13	
	14	Add lines 10 through 13		14
Gifts to Charity If you made a gift and got a benefit for it, see page A-4.		Gifts by cash or check. If you made any gift of $250 or more, see page A-4	15	
	16	Other than by cash or check. If any gift of $250 or more, see page A-4. You **MUST** attach Form 8283 if over $500	16	
	17	Carryover from prior year	17	
	18	Add lines 15 through 17		18
Casualty and Theft Losses	19	Casualty or theft loss(es). Attach Form 4684. (See page A-5.) .		19
Job Expenses and Most Other Miscellaneous Deductions (See page A-5 for expenses to deduct here.)	20	Unreimbursed employee expenses—job travel, union dues, job education, etc. You **MUST** attach Form 2106 or 2106-EZ if required. (See page A-5.) ▶	20	
	21	Tax preparation fees	21	
	22	Other expenses—investment, safe deposit box, etc. List type and amount ▶	22	
	23	Add lines 20 through 22		
	24	Enter amount from Form 1040, line 34. 24		
	25	Multiply line 24 above by 2% (.02)	25	
	26	Subtract line 25 from line 23. If line 25 is more than line 23, enter -0-		26
Other Miscellaneous Deductions		Other—from list on page A-6. List type and amount ▶		27
Total Itemized Deductions	28	Is Form 1040, line 34, over $126,600 (over $63,300 if married filing separately)?		
		☐ **No.** Your deduction is not limited. Add the amounts in the far right column for lines 4 through 27. Also, enter this amount on Form 1040, line 36. ▶		28
		☐ **Yes.** Your deduction may be limited. See page A-6 for the amount to enter.		

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11330X **Schedule A (Form 1040) 1999**



☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.	Payer's RTN (optional)	OMB No. 1545-0112 **2000** Form **1099-INT**	**Interest Income**
PAYER'S Federal identification number	RECIPIENT'S identification number	1 Interest income not included in box 3 $	**Copy B** **For Recipient** This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name Street address (including apt. no.) City, state, and ZIP code	2 Early withdrawal penalty $	3 Interest on U.S. Savings Bonds and Treas. obligations $	
	4 Federal income tax withheld $	5 Investment expenses $	
Account number (optional)	6 Foreign tax paid $	7 Foreign country or U.S. possession	

Form **1099-INT** (Keep for your records.) Department of the Treasury - Internal Revenue Service

☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no.		1 Ordinary dividends $	OMB No. 1545-0110 **2000** Form **1099-DIV**	**Dividends and Distributions**
		2a Total capital gain distr. $		
PAYER'S Federal identification number	RECIPIENT'S identification number	2b 28% rate gain $	2c Unrecap. sec. 1250 gain $	**Copy B** **For Recipient** This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name		2d Section 1202 gain $	3 Nontaxable distributions $	
Street address (including apt. no.)		4 **Federal income tax withheld** $	5 Investment expenses $	
City, state, and ZIP code		6 Foreign tax paid $	7 Foreign country or U.S. possession	
Account number (optional)		8 Cash liquidation distr. $	9 Noncash liquidation distr. $	

Form **1099-DIV** (Keep for your records.) Department of the Treasury - Internal Revenue Service

Schedules A&B (Form 1040) 1999 OMB No 1545 0074 Page **2**

Name(s) shown on Form 1040. Do not enter name and social security number if shown on other side

Your social security number

Schedule B—Interest and Ordinary Dividends

Attachment Sequence No **08**

Part I Interest

(See page B-1 and the instructions for Form 1040, line 8a.)

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form

Note. If you had over $400 in taxable interest, you must also complete Part III.

		Amount
1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see page B-1 and list this interest first. Also, show that buyer's social security number and address ▶	1	
2 Add the amounts on line 1	2	
3 Excludable interest on series EE and I U.S. savings bonds issued after 1989 from Form 8815, line 14. You **MUST** attach Form 8815	3	
4 Subtract line 3 from line 2. Enter the result here and on Form 1040, line 8a ▶	4	

Part II Ordinary Dividends

(See page B-1 and the instructions for Form 1040, line 9.)

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form

Note. If you had over $400 in ordinary dividends, you must also complete Part III.

		Amount
5 List name of payer. Include only ordinary dividends. If you received any capital gain distributions, see the instructions for Form 1040, line 13 ▶	5	
6 Add the amounts on line 5. Enter the total here and on Form 1040, line 9 ▶	6	

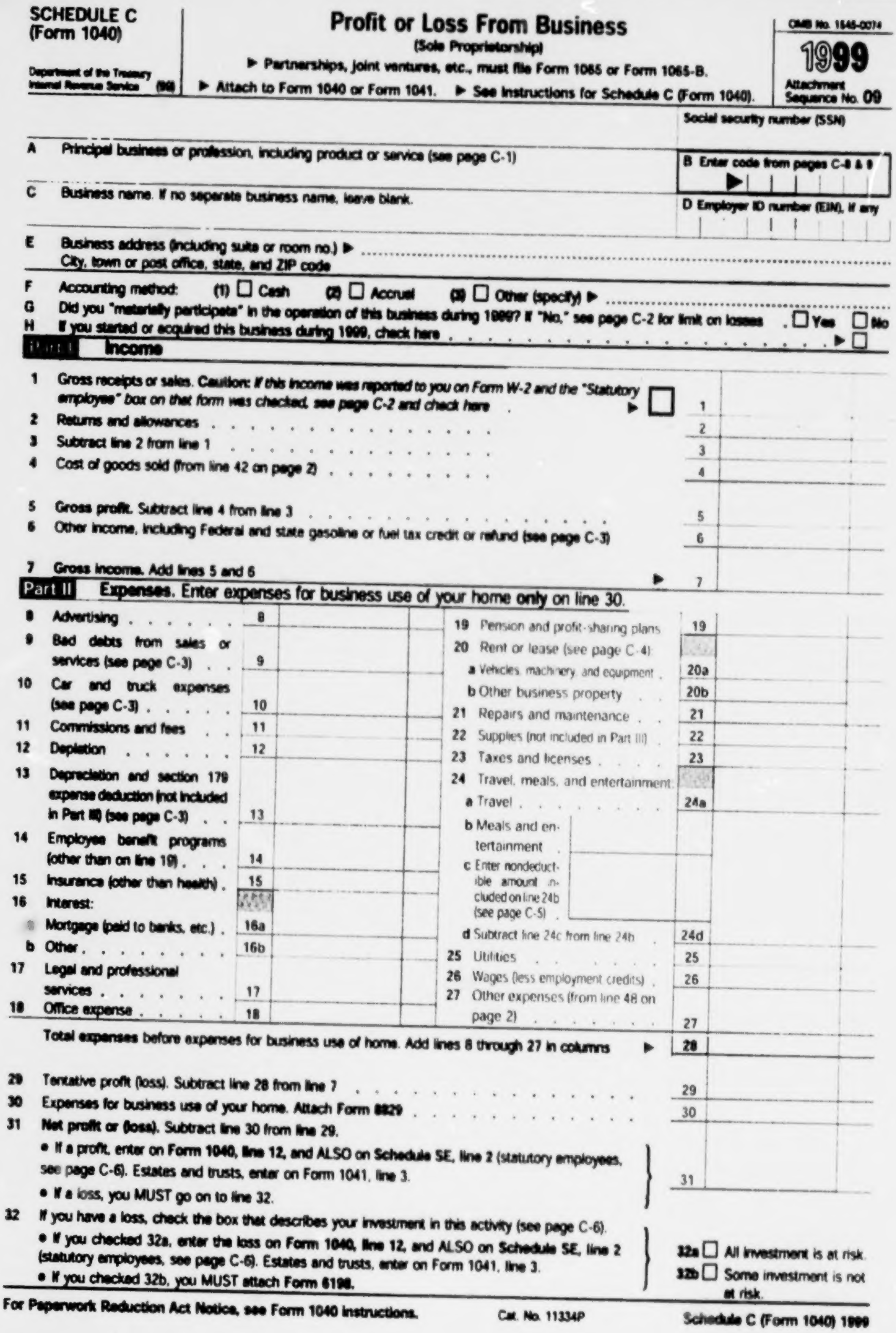
Part III Foreign Accounts and Trusts

(See page B-2.)

You must complete this part if you **(a)** had over $400 of interest or ordinary dividends; **(b)** had a foreign account; or **(c)** received a distribution from, or were a grantor of, or a transferor to, a foreign trust.	Yes	No
7a At any time during 1999, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See page B-2 for exceptions and filing requirements for Form TD F 90-22.1		
b If "Yes," enter the name of the foreign country ▶		
8 During 1999, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See page B-2		

For Paperwork Reduction Act Notice, see Form 1040 instructions.

Schedule B (Form 1040) 1999



SCHEDULE C
(Form 1040)

Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business

(Sole Proprietorship)

▶ Partnerships, joint ventures, etc., must file Form 1065 or Form 1065-B.

▶ Attach to Form 1040 or Form 1041. ▶ See Instructions for Schedule C (Form 1040).

OMB No. 1545-0074

1999

Attachment Sequence No. 09

Name of proprietor

Social security number (SSN)

A Principal business or profession, including product or service (see page C-1)

B Enter code from pages C-8 & 9 ▶

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

E Business address (including suite or room no.) ▶
City, town or post office, state, and ZIP code

F Accounting method: (1) ☐ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

G Did you "materially participate" in the operation of this business during 1999? If "No," see page C-2 for limit on losses ☐ Yes ☐ No

H If you started or acquired this business during 1999, check here ▶ ☐

Part I Income

1	Gross receipts or sales. **Caution:** *If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-2 and check here* ▶ ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42 on page 2)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6	
7	**Gross income.** Add lines 5 and 6 ▶	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		19	Pension and profit-sharing plans	19	
9	Bad debts from sales or services (see page C-3)	9		20	Rent or lease (see page C-4):		
10	Car and truck expenses (see page C-3)	10		a	Vehicles, machinery, and equipment	20a	
11	Commissions and fees	11		b	Other business property	20b	
12	Depletion	12		21	Repairs and maintenance	21	
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-3)	13		22	Supplies (not included in Part III)	22	
14	Employee benefit programs (other than on line 19)	14		23	Taxes and licenses	23	
15	Insurance (other than health)	15		24	Travel, meals, and entertainment:		
16	Interest:			a	Travel	24a	
a	Mortgage (paid to banks, etc.)	16a		b	Meals and entertainment		
b	Other	16b		c	Enter nondeductible amount included on line 24b (see page C-5)		
17	Legal and professional services	17		d	Subtract line 24c from line 24b	24d	
18	Office expense	18		25	Utilities	25	
				26	Wages (less employment credits)	26	
				27	Other expenses (from line 48 on page 2)	27	

28	**Total expenses** before expenses for business use of home. Add lines 8 through 27 in columns ▶	28	
29	Tentative profit (loss). Subtract line 28 from line 7	29	
30	Expenses for business use of your home. Attach Form 8829	30	
31	**Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If a loss, you MUST go on to line 32.	31	
32	If you have a loss, check the box that describes your investment in this activity (see page C-6). • If you checked 32a, enter the loss on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you MUST attach Form 6198.	32a ☐ All investment is at risk. 32b ☐ Some investment is not at risk.	

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11334P **Schedule C (Form 1040) 1999**

SCHEDULE SE
(Form 1040)
Department of the Treasury
Internal Revenue Service

Self-Employment Tax

▶ See Instructions for Schedule SE (Form 1040).

▶ Attach to Form 1040.

OMB No. 1545-0074
1999
Attachment
Sequence No. **17**

Name of person with **self-employment** income (as shown on Form 1040)	Social security number of person with **self-employment** income ▶

Who Must File Schedule SE

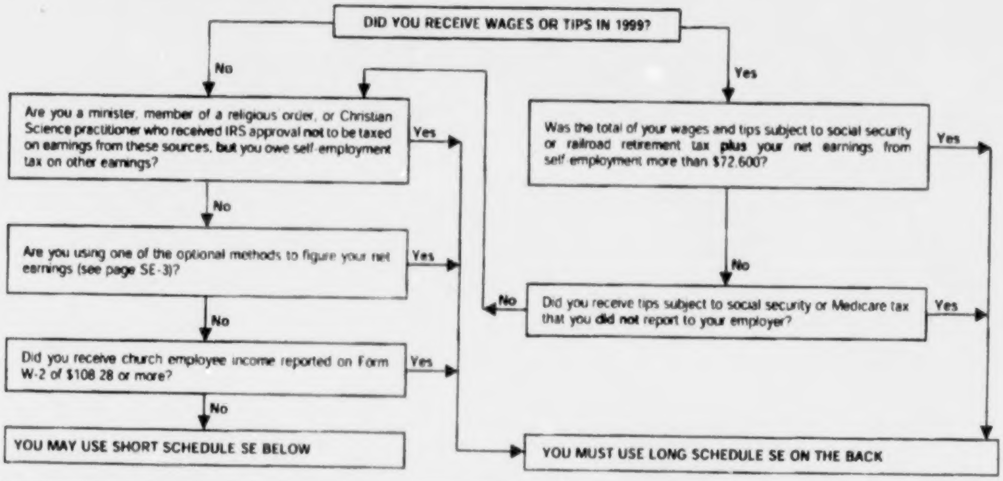
You must file Schedule SE if:

- You had net earnings from self-employment from **other than** church employee income (line 4 of Short Schedule SE or line 4c of Long Schedule SE) of **$400** or more, **OR**
- You had church employee income of $108.28 or more. Income from services you performed as a minister or a member of a religious order **is not** church employee income. See page SE-1.

Note: *Even if you had a loss or a small amount of income from self-employment, it may be to your benefit to file Schedule SE and use either "optional method" in Part II of Long Schedule SE. See page SE-3.*

Exception. If your only self-employment income was from earnings as a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361 and received IRS approval not to be taxed on those earnings, **do not** file Schedule SE. Instead, write "Exempt-Form 4361" on Form 1040, line 50.

May I Use Short Schedule SE or MUST I Use Long Schedule SE?


DID YOU RECEIVE WAGES OR TIPS IN 1999?
No
Yes
Are you a minister, member of a religious order, or Christian Science practitioner who received IRS approval **not** to be taxed on earnings from these sources, **but** you owe self-employment tax on other earnings?
Yes
No
Was the total of your wages and tips subject to social security or railroad retirement tax **plus** your net earnings from self-employment more than $72,600?
Yes
No
Are you using one of the optional methods to figure your net earnings (see page SE-3)?
Yes
No
Did you receive tips subject to social security or Medicare tax that you **did not** report to your employer?
No
Yes
Did you receive church employee income reported on Form W-2 of $108.28 or more?
Yes
No
YOU MAY USE SHORT SCHEDULE SE BELOW
YOU MUST USE LONG SCHEDULE SE ON THE BACK

Section A—Short Schedule SE. Caution: *Read above to see if you can use Short Schedule SE.*

1	Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a	1	
2	Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report	2	
3	Combine lines 1 and 2	3	
4	**Net earnings from self-employment.** Multiply line 3 by 92.35% (.9235). If less than $400, **do not** file this schedule; you do not owe self-employment tax . . . . ▶	4	
5	**Self-employment tax.** If the amount on line 4 is: • $72,600 or less, multiply line 4 by 15.3% (.153). Enter the result here and on **Form 1040, line 50.** • More than $72,600, multiply line 4 by 2.9% (.029). Then, add $9,002.40 to the result. Enter the total here and on **Form 1040, line 50.**	5	
6	**Deduction for one-half of self-employment tax.** Multiply line 5 by 50% (.5). Enter the result here and on **Form 1040, line 27**	6	

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11358Z **Schedule SE (Form 1040) 1999**

Schedule SE (Form 1040) 1999 Attachment Sequence No. **17** Page **2**

Name of person with self-employment income (as shown on Form 1040)

Social security number of person with **self-employment income** ▶

Section B—Long Schedule SE

Part I Self-Employment Tax

Note: *If your only income subject to self-employment tax is* **church employee income,** *skip lines 1 through 4b. Enter -0- on line 4c and go to line 5a. Income from services you performed as a minister or a member of a religious order* **is not** *church employee income. See page SE-1.*

A If you are a minister, member of a religious order, or Christian Science practitioner **and** you filed Form 4361, but you had $400 or more of **other** net earnings from self-employment, check here and continue with Part I . . . . . . ▶ ☐

1 Net farm profit or (loss) from Schedule F, line 36, and farm partnerships, Schedule K-1 (Form 1065), line 15a. **Note:** *Skip this line if you use the farm optional method. See page SE-3*	1		
2 Net profit or (loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9. Ministers and members of religious orders, see page SE-1 for amounts to report on this line. See page SE-2 for other income to report. **Note:** *Skip this line if you use the nonfarm optional method. See page SE-3*	2		
3 Combine lines 1 and 2	3		
4a If line 3 is more than zero, multiply line 3 by 92.35% (.9235). Otherwise, enter amount from line 3	4a		
b If you elected one or both of the optional methods, enter the total of lines 15 and 17 here	4b		
c Combine lines 4a and 4b. If less than $400, **do not** file this schedule; you do not owe self-employment tax. **Exception.** If less than $400 and you had **church employee income,** enter -0- and continue ▶	4c		
5a Enter your **church employee income** from Form W-2. **Caution:** *See page SE-1 for definition of church employee income* 5a			
b Multiply line 5a by 92.35% (.9235). If less than $100, enter -0- . . .	5b		
6 **Net earnings from self-employment.** Add lines 4c and 5b	6		
7 Maximum amount of combined wages and self-employment earnings subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax for 1999 . . .	7	72,600	00
8a Total social security wages and tips (total of boxes 3 and 7 on Form(s) W-2) and railroad retirement (tier 1) compensation 8a			
b Unreported tips subject to social security tax (from Form 4137, line 9) 8b			
c Add lines 8a and 8b	8c		
9 Subtract line 8c from line 7. If zero or less, **enter** -0- here and on line 10 and go to line 1 ▶	9		
10 Multiply the **smaller** of line 6 or line 9 by 12.4% (.124)	10		
11 Multiply line 6 by 2.9% (.029)	11		
12 **Self-employment tax.** Add lines 10 and 1 Enter here and on Form 1040, line 50	12		
13 **Deduction for one-half of self-employment tax.** Multiply line 12 by 50% (.5). Enter the result here and on **Form 1040, line 27** 13			

Part II Optional Methods To Figure Net Earnings (See page SE-3.)

Farm Optional Method. You may use this method **only** if:

- Your gross farm income[1] was not more than $2,400, or
- Your net farm profits[2] were less than $1,733.

14 Maximum income for optional methods	14	1,600	00
15 Enter the **smaller** of: two-thirds (⅔) of gross farm income[1] (not less than zero) **or** $1,600. Also include this amount on line 4b above	15		

Nonfarm Optional Method. You may use this method **only** if:

- Your net nonfarm profits[3] were less than $1,733 and also less than 72.189% of your gross nonfarm income,[4] **and**
- You had net earnings from self-employment of at least $400 in 2 of the prior 3 years.

Caution: *You may use this method no more than five times.*

16 Subtract line 15 from line 14	16		
17 Enter the **smaller** of: two-thirds (⅔) of gross nonfarm income[4] (not less than zero) or the amount on line 16. Also include this amount on line 4b above	17		

---

[1] From Sch. F, line 11, and Sch. K-1 (Form 1065), line 15b.
[2] From Sch. F, line 36, and Sch. K-1 (Form 1065), line 15a.
[3] From Sch. C, line 31; Sch. C-EZ, line 3; Sch. K-1 (Form 1065), line 15a; and Sch. K-1 (Form 1065-B), box 9.
[4] From Sch. C, line 7; Sch. C-EZ, line 1; Sch. K-1 (Form 1065), line 15c; and Sch. K-1 (Form 1065-B), box 9.

Schedule SE (Form 1040) 1999

EIC Worksheet A—Earned Income Credit (EIC)

Keep for Your Records

Do not use this worksheet if you are self-employed or you are filing Schedule C or C-EZ as a statutory employee. Instead, use EIC Worksheet B.

Part 1

All Filers Using Worksheet A

1. Enter your total earned income from Worksheet 2. **1** ______

2. Look up the amount on line 1 above in the EIC Table in the Appendix to find the credit. Enter the credit here. **2** ______

If line 2 is zero, STOP You cannot take the credit.
Put "No" on Form 1040, line 59a; Form 1040A, line 37a; or Form 1040EZ, line 8a.

3. Enter your modified adjusted gross income. (If you filled out Worksheet 3 on page 25, this is the amount on line 21 of that worksheet.) **3** ______

4. Are the amounts on lines 1 and 3 the same?

☐ **Yes.** *Skip line 5; enter the amount from line 2 on line 6.*

☐ **No.** *Go to line 5.*

Part 2

Filers Who Answered "No" On Line 4

5. Is the amount on line 3 less than:
   - $5,700 if you do not have a qualifying child, OR
   - $12,500 if you have one or more qualifying children?

☐ **Yes.** *Leave line 5 blank; enter the amount from line 2 on line 6.*

☐ **No.** Look up the amount on line 3 in the EIC Table in the Appendix to find the credit. Enter the credit here. **5** ______

Look at the amounts on lines 2 and 5. Then, enter the ***SMALLER*** *amount on line 6.*

Part 3

Your Earned Income Credit

6. This is the amount from Part 1 or Part 2 above. **6** ______

7. Enter the amount of alternative minimum tax from Form 1040, line 51, or included in the total on Form 1040A, line 34, if any. **7** ______

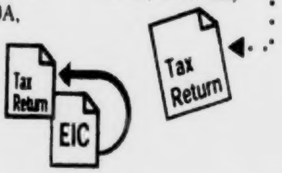
8. Subtract line 7 from line 6. **This is your earned income credit.** **8** ______

Enter this amount on line 59a (Form 1040); line 37a (Form 1040A); or line 8a (Form 1040EZ)

Reminder—

✓ Be sure you entered the amount and the type of any nontaxable earned income (Worksheet 2, line 11) on Form 1040, line 59b; Form 1040A, line 37b; or Form 1040EZ, line 8b.

✓ If you have a qualifying child, complete and attach Schedule EIC.



CAUTION If your 1997 or 1998 EIC was reduced or disallowed, see chapter 5 to find out if you must file Form 8862 to take the credit for 1999.

Publication 596 ***Earned Income Credit (EIC)***

EIC Worksheet B—Earned Income Credit (EIC)

Keep for Your Records

Use this worksheet if you are self-employed or you are filing Schedule C or C-EZ as a statutory employee.

- ✓ Complete the parts below (Parts 1–3) that apply to you. Then, go to Part 4.
- ✓ If you are married filing a joint return, include your spouse's amounts, if any, with yours to figure the amounts to enter in Parts 1 through 3.

TIP: You can tear this worksheet from the booklet before you begin

Part 1

Self-Employed Filing Schedule SE

1a.	Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.		**1a**	
b.	Enter the amount from Schedule SE, Section B, line 4b, if any.	+	**1b**	
c.	Add lines 1a and 1b.	=	**1c**	
d.	Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.	−	**1d**	
e.	Subtract line 1d from 1c.	=	**1e**	

Part 2

Self-Employed NOT Filing Schedule SE

For example, your net earnings from self-employment were less than $400.

2. Do not include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.

a.	Enter any net farm profit (or loss) from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), line 15a.		**2a**	
b.	Enter any net profit (or loss) from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9.		**2b**	
c.	Combine lines 2a and 2b.	=	**2c**	

Part 3

Statutory Employees Filing Schedule C or C-EZ

3.	Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.		**3**	

Part 4

All Self-Employed and Statutory Employees

If line 4d includes income on which you should have paid self-employment tax but did not, the IRS may reduce your credit by the amount of self-employment tax not paid.

4a.	Combine lines 1e, 2c, and 3.		**4a**	
b.	Enter your nontaxable earned income from Worksheet 2, line 11.	+	**4b**	
c.	Enter your taxable earned income from Worksheet 2, line 6.	+	**4c**	
d.	Combine lines 4a, 4b, and 4c. **This is your total earned income.**	=	**4d**	

5. If you have:

- 2 or more qualifying children, is line 4d less than $30,580?
- 1 qualifying child, is line 4d less than $26,928?
- No qualifying children, is line 4d less than $10,200?

☐ **Yes. If you want the IRS to figure your credit, see page 26.** *If you want to figure the credit yourself, enter the amount from line 4d on line 6 (page 31).*

☐ **No.** STOP You cannot take the credit.
Put "No" on Form 1040, line 59a; Form 1040A, line 37a; or Form 1040EZ, line 8a.

EIC worksheet B page 2

EIC Worksheet B—*Continued*

Keep for Your Records

Part 5

All Filers Using Worksheet B

6. Enter your total earned income from Part 4, line 4d, of this worksheet. **6** ______

7. Look up the amount on line 6 above in the EIC Table in the Appendix to find the credit. Enter the credit here. **7** ______

If line 7 is zero, STOP You cannot take the credit.
Put "No" on Form 1040, line 59a; Form 1040A, line 37a; or Form 1040EZ, line 8a.

8. Enter your modified adjusted gross income. (If you filled out Worksheet 3 on page 25, this is the amount on line 21 of that worksheet.) **8** ______

9. Are the amounts on lines 8 and 6 the same?

☐ **Yes.** *Skip line 10; enter the amount from line 7 on line 11.*

☐ **No.** *Go to line 10.*

10. Is the amount on line 8 less than:

- $5,700 if you do not have a qualifying child, OR
- $12,500 if you have one or more qualifying children?

☐ **Yes.** *Leave line 10 blank; enter the amount from line 7 on line 11.*

☐ **No.** Look up the amount on line 8 in the EIC Table in the Appendix to find the credit. Enter the credit here. **10** ______

Look at the amounts on lines 10 and 7.
Then, enter the SMALLER amount on line 11.

Part 6

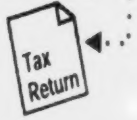
Your Earned Income Credit

11. This is the amount from Part 5 above. **11** ______

12. Enter the amount of alternative minimum tax from Form 1040, line 51, or included in the total on Form 1040A, line 34, if any. **12** ______

13. Subtract line 12 from line 11. **This is your earned income credit.** **13** ______

Enter this amount on line 59a (Form 1040); line 37a (Form 1040A); or line 8a (Form 1040EZ)



Reminder—

√ Be sure you entered the amount and the type of any nontaxable earned income (Worksheet 2, line 11) on Form 1040, line 59b; Form 1040A, line 37b; or Form 1040EZ, line 8b.

√ If you have a qualifying child, complete and attach Schedule EIC.

Tax
Return
EIC

CAUTION If your 1997 or 1998 EIC was reduced or disallowed, see chapter 5 to find out if you must file Form 8862 to take the credit for 1999.

EIC for use with Form 1040EZ

Lines 8a and 8b—Earned Income Credit (EIC)

What Is the EIC?

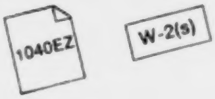
The EIC is a credit for certain people who work. The credit may give you a refund even if you do not owe any tax.

TIP If you have a qualifying child (see the next column on this page), you may be able to take the credit, but you must use Schedule EIC and Form 1040A or 1040 to do so. For details, see Pub. 596.

To Take the EIC:

- Follow the steps below.
- Complete the worksheet on page 18 OR let the IRS figure the credit for you.

You Will Need:



CAUTION If you take the EIC even though you are not eligible and it is determined that your error is due to reckless or intentional disregard of the EIC rules, you will not be allowed to take the credit for 2 years even if you are otherwise eligible to do so. If you fraudulently take the EIC, you will not be allowed to take the credit for 10 years. You may also have to pay penalties.

Step 1 All Filers

1. Is the amount on Form 1040EZ, line 4, less than $10,200?

☐ **Yes.** *Continue* ↓ ☐ **No.** STOP You cannot take the credit.

2. Do you, and your spouse if filing a joint return, have a social security number that allows you to work (see page 17)?

☐ **Yes.** *Continue* ↓ ☐ **No.** STOP You cannot take the credit. *Print "No" to the right of the word "below" on line 8b.*

3. Can you, or your spouse if filing a joint return, be claimed as a dependent on someone else's 1999 tax return?

☐ **Yes.** STOP You cannot take the credit. ☐ **No.** *Continue* ↓

4. Were you, or your spouse if filing a joint return, at least age 25 but under age 65 at the end of 1999?

☐ **Yes.** *Go to question 5.* ☐ **No.** STOP You cannot take the credit. *Print "No" to the right of the word "below" on line 8b.*

5. Was your home, and your spouse's if filing a joint return, in the United States for more than half of 1999? Members of the military stationed outside the United States, see page 16 before you answer.

☐ **Yes.** *Continue* ↓ ☐ **No.** STOP You cannot take the credit. *Print "No" to the right of the word "below" on line 8b.*

6. Look at the qualifying child conditions below. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 1999?

☐ **Yes.** STOP You cannot take the credit. *Print "No" to the right of the word "below" on line 8b.* ☐ **No.** *Go to Step 2* ↓

A **qualifying child** is a child who is your...

Son	Grandchild
Daughter	Stepchild
Adopted child	Foster child

AND

was at the end of 1999...

Under age 19

OR

Under age 24 and a student

OR

Any age and permanently and totally disabled

AND

who...

Either lived with you in the United States for more than half of 1999 (for all of 1999 if a foster child) OR was born or died in 1999 and your home was the child's home for the entire time he or she was alive in 1999.

Note. Special rules apply if the child was married or also meets the conditions to be a qualifying child of another person (other than your spouse if filing a joint return). For details, use TeleTax topic 601 (see page 6) or see Pub. 596.

Step 2 Modified Adjusted Gross Income

1. Form 1040EZ, line 4 . . . . ______
Add any tax-exempt interest entered to the right of the words "Form 1040EZ" on line 2 + ______
Modified Adjusted Gross Income = Box A ______

2. Is Box A less than $10,200?

☐ **Yes.** *Go to Step 3 on page 16.* ☐ **No.** STOP You cannot take the credit.

(Continued on page 16)

For use with Form 1040EZ

Form 1040EZ—Lines 8a and 8b

Continued from page 15

Step 3 Nontaxable and Taxable Earned Income

1. **Add all your nontaxable earned income, including your spouse's if filing a joint return. This includes anything of value (money, goods, or services) that is not taxable that you received from your employer for your work. Types of nontaxable earned income are listed below.**

- Salary deferrals, such as a 401(k) plan or the Federal Thrift Savings Plan, shown in box 13 of your W-2 form. See page 17.
- Salary reductions, such as under a cafeteria plan, unless they are included in box 1 of your W-2 form. See page 17.
- Mandatory contributions to a state or local retirement plan.
- Military employee basic housing, subsistence, and combat zone compensation. These amounts are shown in box 13 of your W-2 form with code Q.
- Meals and lodging provided for the convenience of your employer.
- Housing allowances or rental value of a parsonage for clergy members.
- Excludable educational assistance benefits. These benefits may be shown in box 14 of your W-2 form.
- Certain amounts received by Native Americans. See Pub. 596.

Note. Nontaxable earned income does not include welfare benefits or workfare payments (see page 17), or qualified foster care payments.

Nontaxable Earned Income = Box B ______

Enter the type and amount of your nontaxable earned income in the spaces marked "Type" and "$" on Form 1040EZ, line 8b.

2. Figure taxable earned income:

Form 1040EZ, line 1 ______

Subtract:

- Any taxable scholarship or fellowship grant not reported on a W-2 form
- Any amount paid to an inmate in a penal institution for work (print "PRI" and the amount subtracted to the right of the words "W-2 form(s)" on line 1 of Form 1040EZ)

− ______

Taxable Earned Income = Box C ______

Go to Step 4.

Step 4 Total Earned Income

1. Nontaxable Earned Income (Step 3, Box B) ______

Taxable Earned Income (Step 3, Box C) + ______

Total Earned Income = Box D ______

2. Is Box D less than $10,200?

☐ **Yes.** *Go to Step 5.*

☐ **No.** STOP You cannot take the credit. *Print "No" to the right of the word "below" on line 8b.*

Step 5 How To Figure the Credit

1. Do you want the IRS to figure the credit for you?

☐ **Yes.** *See Credit Figured by the IRS below.*

☐ **No.** *Go to the worksheet on page 18.*

Definitions and Special Rules

(listed in alphabetical order)

Credit Figured by the IRS. To have the IRS figure the credit for you:

1. Print "EIC" to the right of the word "below" on line 8b of Form 1040EZ.
2. Be sure you entered the type and amount of any nontaxable earned income (Step 3, Box B, on this page) on Form 1040EZ, line 8b.
3. If your 1997 or 1998 EIC was reduced or disallowed, see Form 8862, Who Must File, below.

Form 8862, Who Must File. You must file Form 8862 if your 1997 or 1998 EIC was reduced or disallowed for any reason other than a math or clerical error. But do not file Form 8862 if, after your EIC was reduced or disallowed in an earlier year, you filed Form 8862 (or other documents) and your EIC was then allowed. Also do not file Form 8862 or take the credit if it was determined that your error was due to reckless or intentional disregard of the EIC rules or fraud.

Members of the Military. If you were on extended active duty outside the United States, your home is considered to be in the United States during that duty period. Extended active duty is military duty ordered for an indefinite period or for a period of more than 90 days. Once you begin serving extended active duty, you are considered to be on extended active duty even if you serve fewer than 90 days.

(Continued on page 17)

EIC for use with Form 1040EZ

Continued from page 16

Salary Deferrals. Contributions from your pay to certain retirement plans, such as a 401(k) plan or the Federal Thrift Savings Plan, shown in box 13 of your W-2 form. The "Deferred compensation" box in box 15 of your W-2 form should be checked.

Salary Reductions. Amounts you could have been paid but you chose instead to have your employer contribute to certain benefit plans, such as a cafeteria plan. A cafeteria plan is a plan that allows you to choose to receive either cash or certain benefits that are not taxed (such as accident and health insurance).

Social Security Number (SSN). For purposes of taking the EIC, an SSN is a number issued by the Social Security Administration to a U.S. citizen or to a person who has permission from the Immigration and Naturalization Service to work in the United States. It does not include an SSN issued only to allow a person to apply for or receive Federally funded benefits. If your social security card, or your spouse's if filing a joint return, says "Not valid for employment," you cannot take the EIC.

To find out how to get an SSN, see page 12. If you will not have an SSN by April 17, 2000, see What if You Cannot File on Time? on page 9.

Welfare Benefits, Effect of Credit on. Any refund you receive as a result of taking the EIC will not be used to determine if you are eligible for the following programs, or how much you can receive from them.

- Temporary Assistance for Needy Families (TANF).
- Medicaid and supplemental security income (SSI).
- Food stamps and low-income housing.

Workfare Payments. Cash payments certain people receive from a state or local agency that administers public assistance programs funded under the Federal Temporary Assistance for Needy Families (TANF) program in return for certain work activities such as:

- Work experience activities (including work associated with remodeling or repairing publicly assisted housing) if sufficient private sector employment is not available, or
- Community service program activities.

EIC for use with Form 1040EZ

Form 1040EZ—Lines 8a and 8b

Earned Income Credit (EIC) Worksheet—Lines 8a and 8b

Keep for Your Records

Part 1

All Filers

1. Enter your total earned income from Step 4, Box D, on page 16. **1** ______

2. Look up the amount on line 1 above in the EIC Table on page 19 to find the credit. Enter the credit here. **2** ______

   If line 2 is zero, STOP You cannot take the credit. *Print "No" in the space to the right of the word "below" on line 8b.*

3. Enter your modified adjusted gross income from Step 2, Box A, on page 15. **3** ______

4. Are the amounts on lines 3 and 1 the same?

   ☐ **Yes.** *Skip line 5; enter the amount from line 2 on line 6.*

   ☐ **No.** *Go to line 5.*

Part 2

Filers Who Answered "No" on Line 4

5. Is the amount on line 3 less than $5,700?

   ☐ **Yes.** *Leave line 5 blank; enter the amount from line 2 on line 6.*

   ☐ **No.** Look up the amount on line 3 in the EIC Table on page 19 to find the credit. Enter the credit here. **5** ______

   Look at the amounts on lines 5 and 2. Then, enter the SMALLER amount on line 6.

Part 3

Your Earned Income Credit

6. **This is your earned income credit.** **6** ______

   Enter this amount on Form 1040EZ, line 8a.

Reminder—

✓ Be sure you entered the type and amount of any nontaxable earned income (Step 3, Box B, on page 16) on Form 1040EZ, line 8b.

CAUTION If your 1997 or 1998 EIC was reduced or disallowed, see page 16 to find out if you must file Form 8862 to take the credit for 1999.

EIC for use with Form 1040EZ

1999 Earned Income Credit (EIC) Table

CAUTION

This is **not** a tax table.

1. To find your credit, read down the "At least—But less than" columns and find the line that includes the amount you were told to look up from the EIC Worksheet on page 18.

2. Then, read across and find the credit. Enter the credit on your EIC Worksheet.

If the amount you are looking up from the worksheet is—		Your credit is—	If the amount you are looking up from the worksheet is—		Your credit is—	If the amount you are looking up from the worksheet is—		Your credit is—	If the amount you are looking up from the worksheet is—		Your credit is—	If the amount you are looking up from the worksheet is—		Your credit is—
At least	But less than		At least	But less than		At least	But less than		At least	But less than		At least	But less than	
$1	$50	$2	2,400	2,450	186	4,800	4,850	347	7,200	7,250	228	9,600	9,650	44
50	100	6	2,450	2,500	189	4,850	4,900	347	7,250	7,300	224	9,650	9,700	40
100	150	10	2,500	2,550	193	4,900	4,950	347	7,300	7,350	220	9,700	9,750	36
150	200	13	2,550	2,600	197	4,950	5,000	347	7,350	7,400	216	9,750	9,800	33
200	250	17	2,600	2,650	201	5,000	5,050	347	7,400	7,450	212	9,800	9,850	29
250	300	21	2,650	2,700	205	5,050	5,100	347	7,450	7,500	208	9,850	9,900	25
300	350	25	2,700	2,750	208	5,100	5,150	347	7,500	7,550	205	9,900	9,950	21
350	400	29	2,750	2,800	212	5,150	5,200	347	7,550	7,600	201	9,950	10,000	17
400	450	33	2,800	2,850	216	5,200	5,250	347	7,600	7,650	197	10,000	10,050	13
450	500	36	2,850	2,900	220	5,250	5,300	347	7,650	7,700	193	10,050	10,100	10
500	550	40	2,900	2,950	224	5,300	5,350	347	7,700	7,750	189	10,100	10,150	6
550	600	44	2,950	3,000	228	5,350	5,400	347	7,750	7,800	186	10,150	10,200	2
600	650	48	3,000	3,050	231	5,400	5,450	347	7,800	7,850	182	**$10,200 or more—you cannot take the credit**		
650	700	52	3,050	3,100	235	5,450	5,500	347	7,850	7,900	178			
700	750	55	3,100	3,150	239	5,500	5,550	347	7,900	7,950	174			
750	800	59	3,150	3,200	243	5,550	5,600	347	7,950	8,000	170			
800	850	63	3,200	3,250	247	5,600	5,650	347	8,000	8,050	166			
850	900	67	3,250	3,300	251	5,650	5,700	347	8,050	8,100	163			
900	950	71	3,300	3,350	254	5,700	5,750	342	8,100	8,150	159			
950	1,000	75	3,350	3,400	258	5,750	5,800	339	8,150	8,200	155			
1,000	1,050	78	3,400	3,450	262	5,800	5,850	335	8,200	8,250	151			
1,050	1,100	82	3,450	3,500	266	5,850	5,900	331	8,250	8,300	147			
1,100	1,150	86	3,500	3,550	270	5,900	5,950	327	8,300	8,350	143			
1,150	1,200	90	3,550	3,600	273	5,950	6,000	323	8,350	8,400	140			
1,200	1,250	94	3,600	3,650	277	6,000	6,050	319	8,400	8,450	136			
1,250	1,300	98	3,650	3,700	281	6,050	6,100	316	8,450	8,500	132			
1,300	1,350	101	3,700	3,750	285	6,100	6,150	312	8,500	8,550	128			
1,350	1,400	105	3,750	3,800	289	6,150	6,200	308	8,550	8,600	124			
1,400	1,450	109	3,800	3,850	293	6,200	6,250	304	8,600	8,650	120			
1,450	1,500	113	3,850	3,900	296	6,250	6,300	300	8,650	8,700	117			
1,500	1,550	117	3,900	3,950	300	6,300	6,350	296	8,700	8,750	113			
1,550	1,600	120	3,950	4,000	304	6,350	6,400	293	8,750	8,800	109			
1,600	1,650	124	4,000	4,050	308	6,400	6,450	289	8,800	8,850	105			
1,650	1,700	128	4,050	4,100	312	6,450	6,500	285	8,850	8,900	101			
1,700	1,750	132	4,100	4,150	316	6,500	6,550	281	8,900	8,950	98			
1,750	1,800	136	4,150	4,200	319	6,550	6,600	277	8,950	9,000	94			
1,800	1,850	140	4,200	4,250	323	6,600	6,650	273	9,000	9,050	90			
1,850	1,900	143	4,250	4,300	327	6,650	6,700	270	9,050	9,100	86			
1,900	1,950	147	4,300	4,350	331	6,700	6,750	266	9,100	9,150	82			
1,950	2,000	151	4,350	4,400	335	6,750	6,800	262	9,150	9,200	78			
2,000	2,050	155	4,400	4,450	339	6,800	6,850	258	9,200	9,250	75			
2,050	2,100	159	4,450	4,500	342	6,850	6,900	254	9,250	9,300	71			
2,100	2,150	163	4,500	4,550	347	6,900	6,950	251	9,300	9,350	67			
2,150	2,200	166	4,550	4,600	347	6,950	7,000	247	9,350	9,400	63			
2,200	2,250	170	4,600	4,650	347	7,000	7,050	243	9,400	9,450	59			
2,250	2,300	174	4,650	4,700	347	7,050	7,100	239	9,450	9,500	55			
2,300	2,350	178	4,700	4,750	347	7,100	7,150	235	9,500	9,550	52			
2,350	2,400	182	4,750	4,800	347	7,150	7,200	231	9,550	9,600	48			

EIC for use with Form 1040A

Lines 37a and 37b— Earned Income Credit (EIC)

What Is the EIC?

The EIC is a credit for certain people who work. The credit may give you a refund even if you do not owe any tax.

To Take the EIC:

- Follow the steps below.
- Complete the worksheet that applies to you OR let the IRS figure the credit for you.
- If you have a qualifying child, complete and attach Schedule EIC.

You Will Need: 1040A W-2(s)

CAUTION If you take the EIC even though you are not eligible and it is determined that your error is due to reckless or intentional disregard of the EIC rules, you will not be allowed to take the credit for 2 years even if you are otherwise eligible to do so. If you fraudulently take the EIC, you will not be allowed to take the credit for 10 years. You may also have to pay penalties.

Step 1 All Filers

1. Is the amount on Form 1040A, line 19, less than $30,580 (or $10,200 if a child did not live with you in 1999)?

☐ **Yes.** *Continue*
☐ **No.** STOP You cannot take the credit.

2. Do you, and your spouse if filing a joint return, have a social security number that allows you to work (see page 42)?

☐ **Yes.** *Continue*
☐ **No.** STOP You cannot take the credit. *Put "No" directly to the right of line 37a.*

3. Is your filing status married filing separately?

☐ **Yes.** STOP You cannot take the credit.
☐ **No.** *Continue*

4. Were you a nonresident alien for any part of 1999?

☐ **Yes.** *See Nonresident Aliens on page 42.*
☐ **No.** *Go to Step 2.*

Step 2 Investment Income

1. Add the amounts from Form 1040A:

Line 8a ________
Line 8b + ________
Line 9 + ________
Investment Income = ☐

2. Is your investment income more than $2,350?

☐ **Yes.** STOP You cannot take the credit.
☐ **No.** *Go to Step 3.*

Step 3 Who Must Use Pub. 596

Pub. 596

Some people must use Pub. 596, Earned Income Credit, to see if they can take the credit and how to figure it. To see if you must use Pub. 596, answer the following questions.

1. Did you, or your spouse if filing a joint return, receive a distribution from a pension, annuity, or IRA that is not fully taxable?

☐ **No.** *Continue*
☐ **Yes.** STOP You must use Pub. 596 to see if you can take the credit and how to figure it. To get Pub. 596, see page 7.

2. Does the amount on Form 1040A, line 34, include the alternative minimum tax?

☐ **No.** *Continue*
☐ **Yes.** STOP You must use Pub. 596 to see if you can take the credit and how to figure it. To get Pub. 596, see page 7.

3. Did a child live with you in 1999?

☐ **Yes.** *Go to Step 4 on page 40.*
☐ **No.** *Go to Step 5 on page 40.*

(Continued on page 40)

EIC for use with Form 1040A

Form 1040A—Lines 37a and 37b

Continued from page 39

Step 4 Qualifying Child

A qualifying child is a child who is your...

Son	Grandchild
Daughter	Stepchild
Adopted child	Foster child (see page 42)

If the child was married, see page 42.

AND ↓

was at the end of 1999...

Under age 19

OR

Under age 24 and a student (see page 42)

OR

Any age and permanently and totally disabled (see page 42)

AND ↓

who...

Lived with you in the United States for more than half of 1999 or, if a foster child, for all of 1999. If the child did not live with you for the required time, see Exception to "Time Lived With You" Condition on page 42.

1. Look at the qualifying child conditions above. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 1999?

☐ **Yes.** STOP You cannot take the credit. *Put "No" directly to the right of line 37a.*

☐ **No.** *Continue* ↓

2. Do you have at least one child who meets the above conditions to be your qualifying child?

☐ **Yes.** *Continue* ↓

☐ **No.** *Skip the next question; go to Step 5, question 2.*

3. Does the child meet the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for 1999?

☐ **Yes.** *See Qualifying Child of More Than One Person on page 42.*

☐ **No.** This child is your qualifying child. The child must have a social security number as defined on page 42 unless the child was born and died in 1999. *Skip Step 5; go to Step 6.*

Step 5 Filers Without a Qualifying Child

1. Look at the qualifying child conditions in Step 4. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 1999?

☐ **Yes.** STOP You cannot take the credit. *Put "No" directly to the right of line 37a.*

☐ **No.** *Continue* ↓

2. Can you, or your spouse if filing a joint return, be claimed as a dependent on someone else's 1999 tax return?

☐ **Yes.** STOP You cannot take the credit.

☐ **No.** *Continue* ↓

3. Were you, or your spouse if filing a joint return, at least age 25 but under age 65 at the end of 1999?

☐ **Yes.** *Continue* ↓

☐ **No.** STOP You cannot take the credit. *Put "No" directly to the right of line 37a.*

4. Was your home, and your spouse's if filing a joint return, in the United States for more than half of 1999? Members of the military stationed outside the United States, see page 42 before you answer.

☐ **Yes.** *Go to Step 6.*

☐ **No.** STOP You cannot take the credit. *Put "No" directly to the right of line 37a.*

Step 6 Modified Adjusted Gross Income

1. Add the amounts from Form 1040A:

Line 8b ________

Line 19 + ________

Modified Adjusted Gross Income = Box A ________

2. If you have:

- 2 or more qualifying children, is Box A less than $30,580?
- 1 qualifying child, is Box A less than $26,928?
- No qualifying children, is Box A less than $10,200?

☐ **Yes.** *Go to Step 7 on page 41.*

☐ **No.** STOP You cannot take the credit.

(Continued on page 41)

EIC for use with Form 1040A

Form 1040A—Lines 37a and 37b

Continued from page 40

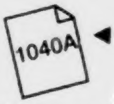
Step 7 Nontaxable and Taxable Earned Income

1. Add all your nontaxable earned income, including your spouse's if filing a joint return. This includes anything of value (money, goods, or services) that is not taxable that you received from your employer for your work. Types of nontaxable earned income are listed below.

- Salary deferrals, such as a 401(k) plan or the Federal Thrift Savings Plan, shown in box 13 of your W-2 form. See page 42.
- Salary reductions, such as under a cafeteria plan, unless they are included in box 1 of your W-2 form. See page 42.
- Mandatory contributions to a state or local retirement plan.
- Military employee basic housing, subsistence, and combat zone compensation. These amounts are shown in box 13 of your W-2 form with code Q.
- Meals and lodging provided for the convenience of your employer.
- Housing allowances or rental value of a parsonage for clergy members.
- Excludable dependent care benefits from Schedule 2, line 18, employer-provided adoption benefits from Form 8839, line 30, and educational assistance benefits (these benefits may be shown in box 14 of your W-2 form).
- Certain amounts received by Native Americans. See Pub. 596.

Note. Nontaxable earned income does not include welfare benefits or workfare payments (see page 42), or qualified foster care payments.

Nontaxable Earned Income = Box B ______



Enter the amount and type of your nontaxable earned income on Form 1040A, line 37b.

2. Figure taxable earned income:

Form 1040A, line 7

Subtract:

- Any taxable scholarship or fellowship grant not reported on a W-2 form
- Any amount paid to an inmate in a penal institution for work (put "PRI" and the amount subtracted in the space to the left of line 7 of Form 1040A)

Taxable Earned Income = Box C ______

Step 8 Total Earned Income

1. Nontaxable Earned Income (Step 7, Box B) ______

Taxable Earned Income (Step 7, Box C) + ______

Total Earned Income = Box D ______

2. If you have:

- 2 or more qualifying children, is Box D less than $30,580?
- 1 qualifying child, is Box D less than $26,928?
- No qualifying children, is Box D less than $10,200?

☐ **Yes.** *Go to Step 9.*

☐ **No.** STOP You cannot take the credit. *Put "No" directly to the right of line 37a.*

Step 9 How To Figure the Credit

1. Do you want the IRS to figure the credit for you?

☐ **Yes.** *See Credit Figured by the IRS below.*

☐ **No.** *Go to the worksheet on page 43.*

Definitions and Special Rules

(listed in alphabetical order)

Adopted Child. Any child placed with you by an authorized placement agency for legal adoption. The adoption does not have to be final.

Credit Figured by the IRS. To have the IRS figure the credit for you:

1. Put "EIC" directly to the right of line 37a of Form 1040A.
2. Be sure you entered the amount and the type of any nontaxable earned income (Step 7, Box B, on this page) on Form 1040A, line 37b.
3. If you have a qualifying child, complete and attach Schedule EIC. If your 1997 or 1998 EIC was reduced or disallowed, see Form 8862, Who Must File, on page 42.

(Continued on page 42)

EIC for use with Form 1040A

Continued from page 41

Exception to "Time Lived With You" Condition. A child is considered to have lived with you for all of 1999 if the child was born or died in 1999 and your home was this child's home for the entire time he or she was alive in 1999. Temporary absences, such as for school, vacation, or medical care, count as time lived at home. If you were in the military stationed outside the United States, see Members of the Military below.

Form 8862, Who Must File. You must file Form 8862 if your 1997 or 1998 EIC was reduced or disallowed for any reason other than a math or clerical error. But do not file Form 8862 if, after your EIC was reduced or disallowed in an earlier year, you filed Form 8862 (or other documents) and your EIC was then allowed. Also do not file Form 8862 or take the credit if it was determined that your error was due to reckless or intentional disregard of the EIC rules or fraud.

Foster Child. Any child you cared for as your own child. For example, if you acted as the parent of your niece or nephew, this child is considered your foster child.

Grandchild. Any descendant of your son, daughter, or adopted child. For example, a grandchild includes your great-grandchild, great-great-grandchild, etc.

Married Child. A child who was married at the end of 1999 is a qualifying child only if **(1)** you can claim him or her as your dependent on Form 1040A, line 6c, or **(2)** this child's other parent claims him or her as a dependent under the rules on page 23 for Children of Divorced or Separated Parents.

Members of the Military. If you were on extended active duty outside the United States, your home is considered to be in the United States during that duty period. Extended active duty is military duty ordered for an indefinite period or for a period of more than 90 days. Once you begin serving extended active duty, you are considered to be on extended active duty even if you serve fewer than 90 days.

Nonresident Aliens. If your filing status is married filing jointly, go to Step 2 on page 39. Otherwise, stop; you cannot take the EIC.

Permanently and Totally Disabled Child. A child who cannot engage in any substantial gainful activity because of a physical or mental condition and a doctor has determined that this condition:

- Has lasted or can be expected to last continuously for at least a year, or
- Can lead to death.

Qualifying Child of More Than One Person. If the child meets the conditions to be a qualifying child of more than one person, only the person who had the **highest** modified AGI (adjusted gross income) for 1999 may treat that child as a qualifying child. The other person(s) cannot take the EIC for people who do not have a qualifying child. If the other person is your spouse and you are filing a joint return, this rule does not apply. If you have the highest modified AGI, this child is your qualifying child. The child must have a social security number as defined on this page unless the child was born and died in 1999. Skip Step 5; go to Step 6 on page 40. If you do not have the highest modified AGI, stop; you cannot take the EIC. Put "No" directly to the right of line 37a.

Modified AGI is the total of the amounts on Form 1040A, lines 8b and 19, plus certain nontaxable distributions from a pension, annuity, or IRA. See Pub. 596 for details. If the other person filed Form 1040, see Pub. 596 to find out what is included in modified AGI.

Example. You and your 5-year-old daughter moved in with your mother in April 1999. You are not a qualifying child of your mother. Your daughter meets the conditions to be a qualifying child for both you and your mother. Your modified AGI for 1999 was $8,000 and your mother's was $14,000. Because your mother's modified AGI was higher, your daughter is your mother's qualifying child. You cannot take any EIC, even if your mother does not claim the credit. You would put "No" directly to the right of line 37a.

Salary Deferrals. Contributions from your pay to certain retirement plans, such as a 401(k) plan or the Federal Thrift Savings Plan, shown in box 13 of your W-2 form. The "Deferred compensation" box in box 15 of your W-2 form should be checked.

Salary Reductions. Amounts you could have been paid but you chose instead to have your employer contribute to certain benefit plans, such as a cafeteria plan. A cafeteria plan is a plan that allows you to choose to receive either cash or certain benefits that are not taxed (such as accident and health insurance).

Social Security Number (SSN). For purposes of taking the EIC, an SSN is a number issued by the Social Security Administration to a U.S. citizen or to a person who has permission from the Immigration and Naturalization Service to work in the United States. It does not include an SSN issued only to allow a person to apply for or receive Federally funded benefits. If your social security card, or your spouse's if filing a joint return, says "Not valid for employment," you cannot take the EIC.

To find out how to get an SSN, see page 20. If you will not have an SSN by April 17, 2000, see What if You Cannot File on Time? on page 14.

Student. A child who during any 5 months of 1999:

- Was enrolled as a full-time student at a school, or
- Took a full-time, on-farm training course given by a school or a state, county, or local government agency.

A **school** includes technical, trade, and mechanical schools. It does not include on-the-job training courses, correspondence schools, or night schools.

Welfare Benefits, Effect of Credit on. Any refund you receive as a result of taking the EIC will not be used to determine if you are eligible for the following programs, or how much you can receive from them.

- Temporary Assistance for Needy Families (TANF).
- Medicaid and supplemental security income (SSI).
- Food stamps and low-income housing.

Workfare Payments. Cash payments certain people receive from a state or local agency that administers public assistance programs funded under the Federal Temporary Assistance for Needy Families (TANF) program in return for certain work activities such as:

- Work experience activities (including work associated with remodeling or repairing publicly assisted housing) if sufficient private sector employment is not available, or
- Community service program activities.

EIC for use with Form 1040A

Earned Income Credit (EIC) Worksheet—Lines 37a and 37b

Keep for Your Records

Part 1

All Filers

1. Enter your total earned income from Step 8, Box D, on page 41. 1

2. Look up the amount on line 1 above in the EIC Table on pages 44–46 to find the credit. Enter the credit here. 2

If line 2 is zero, STOP You cannot take the credit. *Put "No" directly to the right of line 37a.*

3. Enter your modified adjusted gross income from Step 6, Box A, on page 40. 3

4. Are the amounts on lines 3 and 1 the same?

☐ **Yes.** *Skip line 5; enter the amount from line 2 on line 6.*

☐ **No.** *Go to line 5.*

Part 2

Filers Who Answered "No" on Line 4

5. Is the amount on line 3 less than:
- $5,700 if you do not have a qualifying child, OR
- $12,500 if you have one or more qualifying children?

☐ **Yes.** *Leave line 5 blank; enter the amount from line 2 on line 6.*

☐ **No.** Look up the amount on line 3 in the EIC Table on pages 44–46 to find the credit. Enter the credit here. 5

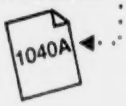
Look at the amounts on lines 5 and 2. Then, enter the SMALLER amount on line 6.

Part 3

Your Earned Income Credit

6. **This is your earned income credit.** 6

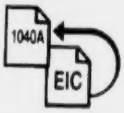
Enter this amount on Form 1040A, line 37a.



Reminder—

√ Be sure you entered the amount and the type of any nontaxable earned income (Step 7, Box B, on page 41) on Form 1040A, line 37b.

√ If you have a qualifying child, complete and attach Schedule EIC.



CAUTION If your 1997 or 1998 EIC was reduced or disallowed, see page 42 to find out if you must file Form 8862 to take the credit for 1999.

EIC for use with Form 1040A

1999 Earned Income Credit (EIC) Table

This is **not** a tax table.

1. To find your credit, read down the "At least - But less than" columns and find the line that includes the amount you were told to look up from your EIC Worksheet.

2. Then, read across to the column that includes the number of qualifying children you have. Enter the credit from that column on your EIC Worksheet.

Example. If you have one qualifying child and the amount you are looking up from your EIC Worksheet is $4,875, you would enter $1,658.

If the amount you are looking up from the worksheet is—		And you have—		
At least	But less than	No children	One child	Two children
		Your credit is—		
4,800	4,850	347	1,641	1,930
[✓ 4,850]	[✓ 4,900]	347	1,658	1,950
4,900	4,950	347	1,675	1,970
4,950	5,000	347	1,692	1,990

If the amount you are looking up from the worksheet is—		And you have—		
At least	But less than	No children	One child	Two children
		Your credit is—		
$1	$50	$2	$9	$10
50	100	6	26	30
100	150	10	43	50
150	200	13	60	70
200	250	17	77	90
250	300	21	94	110
300	350	25	111	130
350	400	29	128	150
400	450	33	145	170
450	500	36	162	190
500	550	40	179	210
550	600	44	196	230
600	650	48	213	250
650	700	52	230	270
700	750	55	247	290
750	800	59	264	310
800	850	63	281	330
850	900	67	298	350
900	950	71	315	370
950	1,000	75	332	390
1,000	1,050	78	349	410
1,050	1,100	82	366	430
1,100	1,150	86	383	450
1,150	1,200	90	400	470
1,200	1,250	94	417	490
1,250	1,300	98	434	510
1,300	1,350	101	451	530
1,350	1,400	105	468	550
1,400	1,450	109	485	570
1,450	1,500	113	502	590
1,500	1,550	117	519	610
1,550	1,600	120	536	630
1,600	1,650	124	553	650
1,650	1,700	128	570	670
1,700	1,750	132	587	690
1,750	1,800	136	604	710
1,800	1,850	140	621	730
1,850	1,900	143	638	750
1,900	1,950	147	655	770
1,950	2,000	151	672	790
2,000	2,050	155	689	810
2,050	2,100	159	706	830
2,100	2,150	163	723	850
2,150	2,200	166	740	870
2,200	2,250	170	757	890
2,250	2,300	174	774	910
2,300	2,350	178	791	930
2,350	2,400	182	808	950
2,400	2,450	186	825	970
2,450	2,500	189	842	990
2,500	2,550	193	859	1,010
2,550	2,600	197	876	1,030
2,600	2,650	201	893	1,050
2,650	2,700	205	910	1,070
2,700	2,750	208	927	1,090
2,750	2,800	212	944	1,110
2,800	2,850	216	961	1,130
2,850	2,900	220	978	1,150
2,900	2,950	224	995	1,170
2,950	3,000	228	1,012	1,190
3,000	3,050	231	1,029	1,210
3,050	3,100	235	1,046	1,230
3,100	3,150	239	1,063	1,250
3,150	3,200	243	1,080	1,270
3,200	3,250	247	1,097	1,290
3,250	3,300	251	1,114	1,310
3,300	3,350	254	1,131	1,330
3,350	3,400	258	1,148	1,350
3,400	3,450	262	1,165	1,370
3,450	3,500	266	1,182	1,390
3,500	3,550	270	1,199	1,410
3,550	3,600	273	1,216	1,430
3,600	3,650	277	1,233	1,450
3,650	3,700	281	1,250	1,470
3,700	3,750	285	1,267	1,490
3,750	3,800	289	1,284	1,510
3,800	3,850	293	1,301	1,530
3,850	3,900	296	1,318	1,550
3,900	3,950	300	1,335	1,570
3,950	4,000	304	1,352	1,590
4,000	4,050	308	1,369	1,610
4,050	4,100	312	1,386	1,630
4,100	4,150	316	1,403	1,650
4,150	4,200	319	1,420	1,670
4,200	4,250	323	1,437	1,690
4,250	4,300	327	1,454	1,710
4,300	4,350	331	1,471	1,730
4,350	4,400	335	1,488	1,750
4,400	4,450	339	1,505	1,770
4,450	4,500	342	1,522	1,790
4,500	4,550	347	1,539	1,810
4,550	4,600	347	1,556	1,830
4,600	4,650	347	1,573	1,850
4,650	4,700	347	1,590	1,870
4,700	4,750	347	1,607	1,890
4,750	4,800	347	1,624	1,910
4,800	4,850	347	1,641	1,930
4,850	4,900	347	1,658	1,950
4,900	4,950	347	1,675	1,970
4,950	5,000	347	1,692	1,990
5,000	5,050	347	1,709	2,010
5,050	5,100	347	1,726	2,030
5,100	5,150	347	1,743	2,050
5,150	5,200	347	1,760	2,070
5,200	5,250	347	1,777	2,090
5,250	5,300	347	1,794	2,110
5,300	5,350	347	1,811	2,130
5,350	5,400	347	1,828	2,150
5,400	5,450	347	1,845	2,170
5,450	5,500	347	1,862	2,190
5,500	5,550	347	1,879	2,210
5,550	5,600	347	1,896	2,230
5,600	5,650	347	1,913	2,250
5,650	5,700	347	1,930	2,270
5,700	5,750	342	1,947	2,290
5,750	5,800	339	1,964	2,310
5,800	5,850	335	1,981	2,330
5,850	5,900	331	1,998	2,350
5,900	5,950	327	2,015	2,370
5,950	6,000	323	2,032	2,390
6,000	6,050	319	2,049	2,410
6,050	6,100	316	2,066	2,430
6,100	6,150	312	2,083	2,450
6,150	6,200	308	2,100	2,470
6,200	6,250	304	2,117	2,490
6,250	6,300	300	2,134	2,510
6,300	6,350	296	2,151	2,530
6,350	6,400	293	2,168	2,550
6,400	6,450	289	2,185	2,570
6,450	6,500	285	2,202	2,590
6,500	6,550	281	2,219	2,610
6,550	6,600	277	2,236	2,630
6,600	6,650	273	2,253	2,650
6,650	6,700	270	2,270	2,670
6,700	6,750	266	2,287	2,690
6,750	6,800	262	2,304	2,710
6,800	6,850	258	2,312	2,730
6,850	6,900	254	2,312	2,750
6,900	6,950	251	2,312	2,770
6,950	7,000	247	2,312	2,790
7,000	7,050	243	2,312	2,810
7,050	7,100	239	2,312	2,830
7,100	7,150	235	2,312	2,850
7,150	7,200	231	2,312	2,870
7,200	7,250	228	2,312	2,890
7,250	7,300	224	2,312	2,910
7,300	7,350	220	2,312	2,930
7,350	7,400	216	2,312	2,950
7,400	7,450	212	2,312	2,970
7,450	7,500	208	2,312	2,990
7,500	7,550	205	2,312	3,010
7,550	7,600	201	2,312	3,030
7,600	7,650	197	2,312	3,050
7,650	7,700	193	2,312	3,070
7,700	7,750	189	2,312	3,090
7,750	7,800	186	2,312	3,110
7,800	7,850	182	2,312	3,130
7,850	7,900	178	2,312	3,150
7,900	7,950	174	2,312	3,170
7,950	8,000	170	2,312	3,190
8,000	8,050	166	2,312	3,210
8,050	8,100	163	2,312	3,230
8,100	8,150	159	2,312	3,250
8,150	8,200	155	2,312	3,270
8,200	8,250	151	2,312	3,290
8,250	8,300	147	2,312	3,310
8,300	8,350	143	2,312	3,330
8,350	8,400	140	2,312	3,350
8,400	8,450	136	2,312	3,370
8,450	8,500	132	2,312	3,390
8,500	8,550	128	2,312	3,410
8,550	8,600	124	2,312	3,430
8,600	8,650	120	2,312	3,450
8,650	8,700	117	2,312	3,470
8,700	8,750	113	2,312	3,490
8,750	8,800	109	2,312	3,510

(Continued)

EIC for use with Form 1040A

1999 Earned Income Credit (EIC) Table *Continued* **(Caution:** ***This is not a tax table.*)**

If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—		
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children			No children	One child	Two children
At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—		
8,800	8,850	105	2,312	3,530	13,850	13,900	0	2,086	3,518	16,650	16,700	0	1,638	2,928	19,450	19,500	0	1,191	2,339
8,850	8,900	101	2,312	3,550	13,900	13,950	0	2,078	3,507	16,700	16,750	0	1,630	2,918	19,500	19,550	0	1,183	2,328
8,900	8,950	98	2,312	3,570	13,950	14,000	0	2,070	3,497	16,750	16,800	0	1,622	2,907	19,550	19,600	0	1,175	2,318
8,950	9,000	94	2,312	3,590	14,000	14,050	0	2,062	3,486	16,800	16,850	0	1,614	2,897	19,600	19,650	0	1,167	2,307
9,000	9,050	90	2,312	3,610	14,050	14,100	0	2,054	3,476	16,850	16,900	0	1,606	2,886	19,650	19,700	0	1,159	2,297
9,050	9,100	86	2,312	3,630	14,100	14,150	0	2,046	3,465	16,900	16,950	0	1,598	2,876	19,700	19,750	0	1,151	2,286
9,100	9,150	82	2,312	3,650	14,150	14,200	0	2,038	3,455	16,950	17,000	0	1,591	2,865	19,750	19,800	0	1,143	2,275
9,150	9,200	78	2,312	3,670	14,200	14,250	0	2,030	3,444	17,000	17,050	0	1,583	2,855	19,800	19,850	0	1,135	2,265
9,200	9,250	75	2,312	3,690	14,250	14,300	0	2,022	3,434	17,050	17,100	0	1,575	2,844	19,850	19,900	0	1,127	2,254
9,250	9,300	71	2,312	3,710	14,300	14,350	0	2,014	3,423	17,100	17,150	0	1,567	2,834	19,900	19,950	0	1,119	2,244
9,300	9,350	67	2,312	3,730	14,350	14,400	0	2,006	3,413	17,150	17,200	0	1,559	2,823	19,950	20,000	0	1,111	2,233
9,350	9,400	63	2,312	3,750	14,400	14,450	0	1,998	3,402	17,200	17,250	0	1,551	2,812	20,000	20,050	0	1,103	2,223
9,400	9,450	59	2,312	3,770	14,450	14,500	0	1,990	3,392	17,250	17,300	0	1,543	2,802	20,050	20,100	0	1,095	2,212
9,450	9,500	55	2,312	3,790	14,500	14,550	0	1,982	3,381	17,300	17,350	0	1,535	2,791	20,100	20,150	0	1,087	2,202
9,500	9,550	52	2,312	3,816	14,550	14,600	0	1,974	3,371	17,350	17,400	0	1,527	2,781	20,150	20,200	0	1,079	2,191
9,550	9,600	48	2,312	3,816	14,600	14,650	0	1,966	3,360	17,400	17,450	0	1,519	2,770	20,200	20,250	0	1,071	2,181
9,600	9,650	44	2,312	3,816	14,650	14,700	0	1,958	3,350	17,450	17,500	0	1,511	2,760	20,250	20,300	0	1,063	2,170
9,650	9,700	40	2,312	3,816	14,700	14,750	0	1,950	3,339	17,500	17,550	0	1,503	2,749	20,300	20,350	0	1,055	2,160
9,700	9,750	36	2,312	3,816	14,750	14,800	0	1,942	3,328	17,550	17,600	0	1,495	2,739	20,350	20,400	0	1,047	2,149
9,750	9,800	33	2,312	3,816	14,800	14,850	0	1,934	3,318	17,600	17,650	0	1,487	2,728	20,400	20,450	0	1,039	2,139
9,800	9,850	29	2,312	3,816	14,850	14,900	0	1,926	3,307	17,650	17,700	0	1,479	2,718	20,450	20,500	0	1,031	2,128
9,850	9,900	25	2,312	3,816	14,900	14,950	0	1,918	3,297	17,700	17,750	0	1,471	2,707	20,500	20,550	0	1,023	2,118
9,900	9,950	21	2,312	3,816	14,950	15,000	0	1,910	3,286	17,750	17,800	0	1,463	2,697	20,550	20,600	0	1,015	2,107
9,950	10,000	17	2,312	3,816	15,000	15,050	0	1,902	3,276	17,800	17,850	0	1,455	2,686	20,600	20,650	0	1,007	2,096
10,000	10,050	13	2,312	3,816	15,050	15,100	0	1,894	3,265	17,850	17,900	0	1,447	2,676	20,650	20,700	0	999	2,086
10,050	10,100	10	2,312	3,816	15,100	15,150	0	1,886	3,255	17,900	17,950	0	1,439	2,665	20,700	20,750	0	991	2,075
10,100	10,150	6	2,312	3,816	15,150	15,200	0	1,878	3,244	17,950	18,000	0	1,431	2,655	20,750	20,800	0	983	2,065
10,150	10,200	2	2,312	3,816	15,200	15,250	0	1,870	3,234	18,000	18,050	0	1,423	2,644	20,800	20,850	0	975	2,054
10,200	12,500	0	2,312	3,816	15,250	15,300	0	1,862	3,223	18,050	18,100	0	1,415	2,633	20,850	20,900	0	967	2,044
12,500	12,550	0	2,302	3,802	15,300	15,350	0	1,854	3,213	18,100	18,150	0	1,407	2,623	20,900	20,950	0	959	2,033
12,550	12,600	0	2,294	3,792	15,350	15,400	0	1,846	3,202	18,150	18,200	0	1,399	2,612	20,950	21,000	0	951	2,023
12,600	12,650	0	2,286	3,781	15,400	15,450	0	1,838	3,192	18,200	18,250	0	1,391	2,602	21,000	21,050	0	943	2,012
12,650	12,700	0	2,278	3,771	15,450	15,500	0	1,830	3,181	18,250	18,300	0	1,383	2,591	21,050	21,100	0	935	2,002
12,700	12,750	0	2,270	3,760	15,500	15,550	0	1,822	3,171	18,300	18,350	0	1,375	2,581	21,100	21,150	0	927	1,991
12,750	12,800	0	2,262	3,750	15,550	15,600	0	1,814	3,160	18,350	18,400	0	1,367	2,570	21,150	21,200	0	919	1,981
12,800	12,850	0	2,254	3,739	15,600	15,650	0	1,806	3,149	18,400	18,450	0	1,359	2,560	21,200	21,250	0	911	1,970
12,850	12,900	0	2,246	3,729	15,650	15,700	0	1,798	3,139	18,450	18,500	0	1,351	2,549	21,250	21,300	0	903	1,960
12,900	12,950	0	2,238	3,718	15,700	15,750	0	1,790	3,128	18,500	18,550	0	1,343	2,539	21,300	21,350	0	895	1,949
12,950	13,000	0	2,230	3,708	15,750	15,800	0	1,782	3,118	18,550	18,600	0	1,335	2,528	21,350	21,400	0	887	1,939
13,000	13,050	0	2,222	3,697	15,800	15,850	0	1,774	3,107	18,600	18,650	0	1,327	2,518	21,400	21,450	0	879	1,928
13,050	13,100	0	2,214	3,686	15,850	15,900	0	1,766	3,097	18,650	18,700	0	1,319	2,507	21,450	21,500	0	871	1,917
13,100	13,150	0	2,206	3,676	15,900	15,950	0	1,758	3,086	18,700	18,750	0	1,311	2,497	21,500	21,550	0	863	1,907
13,150	13,200	0	2,198	3,665	15,950	16,000	0	1,750	3,076	18,750	18,800	0	1,303	2,486	21,550	21,600	0	855	1,896
13,200	13,250	0	2,190	3,655	16,000	16,050	0	1,742	3,065	18,800	18,850	0	1,295	2,476	21,600	21,650	0	847	1,886
13,250	13,300	0	2,182	3,644	16,050	16,100	0	1,734	3,055	18,850	18,900	0	1,287	2,465	21,650	21,700	0	839	1,875
13,300	13,350	0	2,174	3,634	16,100	16,150	0	1,726	3,044	18,900	18,950	0	1,279	2,454	21,700	21,750	0	831	1,865
13,350	13,400	0	2,166	3,623	16,150	16,200	0	1,718	3,034	18,950	19,000	0	1,271	2,444	21,750	21,800	0	823	1,854
13,400	13,450	0	2,158	3,613	16,200	16,250	0	1,710	3,023	19,000	19,050	0	1,263	2,433	21,800	21,850	0	815	1,844
13,450	13,500	0	2,150	3,602	16,250	16,300	0	1,702	3,013	19,050	19,100	0	1,255	2,423	21,850	21,900	0	807	1,833
13,500	13,550	0	2,142	3,592	16,300	16,350	0	1,694	3,002	19,100	19,150	0	1,247	2,412	21,900	21,950	0	799	1,823
13,550	13,600	0	2,134	3,581	16,350	16,400	0	1,686	2,992	19,150	19,200	0	1,239	2,402	21,950	22,000	0	792	1,812
13,600	13,650	0	2,126	3,571	16,400	16,450	0	1,678	2,981	19,200	19,250	0	1,231	2,391	22,000	22,050	0	784	1,802
13,650	13,700	0	2,118	3,560	16,450	16,500	0	1,670	2,970	19,250	19,300	0	1,223	2,381	22,050	22,100	0	776	1,791
13,700	13,750	0	2,110	3,550	16,500	16,550	0	1,662	2,960	19,300	19,350	0	1,215	2,370	22,100	22,150	0	768	1,781
13,750	13,800	0	2,102	3,539	16,550	16,600	0	1,654	2,949	19,350	19,400	0	1,207	2,360	22,150	22,200	0	760	1,770
13,800	13,850	0	2,094	3,529	16,600	16,650	0	1,646	2,939	19,400	19,450	0	1,199	2,349	22,200	22,250	0	752	1,759

(Continued)

EIC for use with Form 1040A

1999 Earned Income Credit (EIC) Table *Continued* **(Caution:** *This is* ***not*** *a tax table.***)**

If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—		
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children			No children	One child	Two children
At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—		
22,250	22,300	0	744	1,749	24,450	24,500	0	392	1,286	26,650	26,700	0	40	822	28,850	28,900	0	0	359
22,300	22,350	0	736	1,738	24,500	24,550	0	384	1,275	26,700	26,750	0	32	812	28,900	28,950	0	0	348
22,350	22,400	0	728	1,728	24,550	24,600	0	376	1,265	26,750	26,800	0	24	801	28,950	29,000	0	0	338
22,400	22,450	0	720	1,717	24,600	24,650	0	368	1,254	26,800	26,850	0	16	791	29,000	29,050	0	0	327
22,450	22,500	0	712	1,707	24,650	24,700	0	360	1,244	26,850	26,900	0	8	780	29,050	29,100	0	0	317
22,500	22,550	0	704	1,696	24,700	24,750	0	352	1,233	26,900	26,950	0	*	770	29,100	29,150	0	0	306
22,550	22,600	0	696	1,686	24,750	24,800	0	344	1,222	26,950	27,000	0	0	759	29,150	29,200	0	0	296
22,600	22,650	0	688	1,675	24,800	24,850	0	336	1,212	27,000	27,050	0	0	749	29,200	29,250	0	0	285
22,650	22,700	0	680	1,665	24,850	24,900	0	328	1,201	27,050	27,100	0	0	738	29,250	29,300	0	0	275
22,700	22,750	0	672	1,654	24,900	24,950	0	320	1,191	27,100	27,150	0	0	728	29,300	29,350	0	0	264
22,750	22,800	0	664	1,644	24,950	25,000	0	312	1,180	27,150	27,200	0	0	717	29,350	29,400	0	0	254
22,800	22,850	0	656	1,633	25,000	25,050	0	304	1,170	27,200	27,250	0	0	706	29,400	29,450	0	0	243
22,850	22,900	0	648	1,623	25,050	25,100	0	296	1,159	27,250	27,300	0	0	696	29,450	29,500	0	0	233
22,900	22,950	0	640	1,612	25,100	25,150	0	288	1,149	27,300	27,350	0	0	685	29,500	29,550	0	0	222
22,950	23,000	0	632	1,602	25,150	25,200	0	280	1,138	27,350	27,400	0	0	675	29,550	29,600	0	0	212
23,000	23,050	0	624	1,591	25,200	25,250	0	272	1,128	27,400	27,450	0	0	664	29,600	29,650	0	0	201
23,050	23,100	0	616	1,580	25,250	25,300	0	264	1,117	27,450	27,500	0	0	654	29,650	29,700	0	0	191
23,100	23,150	0	608	1,570	25,300	25,350	0	256	1,107	27,500	27,550	0	0	643	29,700	29,750	0	0	180
23,150	23,200	0	600	1,559	25,350	25,400	0	248	1,096	27,550	27,600	0	0	633	29,750	29,800	0	0	169
23,200	23,250	0	592	1,549	25,400	25,450	0	240	1,086	27,600	27,650	0	0	622	29,800	29,850	0	0	159
23,250	23,300	0	584	1,538	25,450	25,500	0	232	1,075	27,650	27,700	0	0	612	29,850	29,900	0	0	148
23,300	23,350	0	576	1,528	25,500	25,550	0	224	1,065	27,700	27,750	0	0	601	29,900	29,950	0	0	138
23,350	23,400	0	568	1,517	25,550	25,600	0	216	1,054	27,750	27,800	0	0	591	29,950	30,000	0	0	127
23,400	23,450	0	560	1,507	25,600	25,650	0	208	1,043	27,800	27,850	0	0	580	30,000	30,050	0	0	117
23,450	23,500	0	552	1,496	25,650	25,700	0	200	1,033	27,850	27,900	0	0	570	30,050	30,100	0	0	106
23,500	23,550	0	544	1,486	25,700	25,750	0	192	1,022	27,900	27,950	0	0	559	30,100	30,150	0	0	96
23,550	23,600	0	536	1,475	25,750	25,800	0	184	1,012	27,950	28,000	0	0	549	30,150	30,200	0	0	85
23,600	23,650	0	528	1,465	25,800	25,850	0	176	1,001	28,000	28,050	0	0	538	30,200	30,250	0	0	75
23,650	23,700	0	520	1,454	25,850	25,900	0	168	991	28,050	28,100	0	0	527	30,250	30,300	0	0	64
23,700	23,750	0	512	1,444	25,900	25,950	0	160	980	28,100	28,150	0	0	517	30,300	30,350	0	0	54
23,750	23,800	0	504	1,433	25,950	26,000	0	152	970	28,150	28,200	0	0	506	30,350	30,400	0	0	43
23,800	23,850	0	496	1,423	26,000	26,050	0	144	959	28,200	28,250	0	0	496	30,400	30,450	0	0	33
23,850	23,900	0	488	1,412	26,050	26,100	0	136	949	28,250	28,300	0	0	485	30,450	30,500	0	0	22
23,900	23,950	0	480	1,401	26,100	26,150	0	128	938	28,300	28,350	0	0	475	30,500	30,550	0	0	12
23,950	24,000	0	472	1,391	26,150	26,200	0	120	928	28,350	28,400	0	0	464	30,550	30,580	0	0	3
24,000	24,050	0	464	1,380	26,200	26,250	0	112	917	28,400	28,450	0	0	454	30,580 or more		0	0	0
24,050	24,100	0	456	1,370	26,250	26,300	0	104	907	28,450	28,500	0	0	443					
24,100	24,150	0	448	1,359	26,300	26,350	0	96	896	28,500	28,550	0	0	433					
24,150	24,200	0	440	1,349	26,350	26,400	0	88	886	28,550	28,600	0	0	422					
24,200	24,250	0	432	1,338	26,400	26,450	0	80	875	28,600	28,650	0	0	412					
24,250	24,300	0	424	1,328	26,450	26,500	0	72	864	28,650	28,700	0	0	401					
24,300	24,350	0	416	1,317	26,500	26,550	0	64	854	28,700	28,750	0	0	391					
24,350	24,400	0	408	1,307	26,550	26,600	0	56	843	28,750	28,800	0	0	380					
24,400	24,450	0	400	1,296	26,600	26,650	0	48	833	28,800	28,850	0	0	370					

*If the amount you are looking up from the worksheet is at least $26,900 but less than $26,928, your credit is $2. Otherwise, you cannot take the credit.

EIC for use with Form 1040

Form 1040—Lines 59a and 59b

Lines 59a and 59b— Earned Income Credit (EIC)

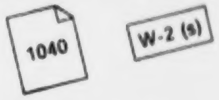
What Is the EIC?

The EIC is a credit for certain people who work. The credit may give you a refund even if you do not owe any tax.

To Take the EIC:

- Follow the steps below.
- Complete the worksheet that applies to you OR let the IRS figure the credit for you.
- If you have a qualifying child, complete and attach Schedule EIC.

You Will Need:



CAUTION If you take the EIC even though you are not eligible and it is determined that your error is due to reckless or intentional disregard of the EIC rules, you will not be allowed to take the credit for 2 years even if you are otherwise eligible to do so. If you fraudulently take the EIC, you will not be allowed to take the credit for 10 years. You may also have to pay penalties.

Step 1 All Filers

1. Is the amount on Form 1040, line 34, less than $30,580 (or $10,200 if a child did not live with you in 1999)?

☐ **Yes.** *Continue* ☐ **No.** STOP You cannot take the credit.

2. Do you, and your spouse if filing a joint return, have a social security number that allows you to work (see page 41)?

☐ **Yes.** *Continue* ☐ **No.** STOP You cannot take the credit. *Put "No" directly to the right of line 59a.*

3. Is your filing status married filing separately?

☐ **Yes.** STOP You cannot take the credit. ☐ **No.** *Continue*

4. Are you filing Form 2555 or 2555-EZ (relating to foreign earned income)?

☐ **Yes.** STOP You cannot take the credit. ☐ **No.** *Continue*

5. Were you a nonresident alien for any part of 1999?

☐ **Yes.** *See Nonresident Aliens on page 41.* ☐ **No.** *Go to Step 2.*

Step 2 Investment Income

1. Add the amounts from Form 1040:

Line 8a ______

Line 8b + ______

Line 9 + ______

Line 13 + ______

Investment Income = ☐

2. Is your investment income more than $2,350?

☐ **Yes.** *Continue* ☐ **No.** *Skip the next question; go to Step 3.*

3. Are you filing Form 4797 (relating to sales of business property)?

☐ **Yes.** *See Form 4797 Filers on page 41.* ☐ **No.** STOP You cannot take the credit.

Step 3 Who Must Use Pub. 596

Some people must use Pub. 596, Earned Income Credit, to see if they can take the credit and how to figure it. To see if you must use Pub. 596, answer the following questions.

1. Are you filing Schedule E?

☐ **No.** *Continue* ☐ **Yes.** →

2. Are you claiming a loss on Form 1040, line 12, 13, or 18?

☐ **No.** *Continue* ☐ **Yes.** →

3. Are you reporting income or a loss from the rental of personal property not used in a trade or business?

☐ **No.** *Continue* ☐ **Yes.** →

4. Did you, or your spouse if filing a joint return, receive a distribution from a pension, annuity, or IRA that is not fully taxable?

☐ **No.** *Continue* ☐ **Yes.** →

5. Did you enter an amount other than zero on Form 1040, line 51?

☐ **No.** *Continue* ☐ **Yes.** →

STOP You must use Pub. 596 to see if you can take the credit and how to figure it.

To get Pub. 596, see page 7.

6. Did a child live with you in 1999?

☐ **Yes.** *Go to Step 4 on page 39.* ☐ **No.** *Go to Step 5 on page 39.*

(Continued on page 39)

EIC for use with Form 1040

Form 1040—Lines 59a and 59b

Continued from page 38

Step 4 Qualifying Child

A qualifying child is a child who is your...

Son Grandchild

Daughter Stepchild

Adopted child Foster child (see page 41)

If the child was married, see page 41.

AND

was at the end of 1999...

Under age 19

OR

Under age 24 and a student (see page 41)

OR

Any age and permanently and totally disabled (see page 41)

AND

who...

Lived with you in the United States for more than half of 1999 or, if a foster child, for all of 1999.
If the child did not live with you for the required time, see Exception to "Time Lived With You" Condition on page 41.

1. Look at the qualifying child conditions above. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 1999?

☐ **Yes.** STOP You cannot take the credit. *Put "No" directly to the right of line 59a.*

☐ **No.** *Continue*

2. Do you have at least one child who meets the above conditions to be your qualifying child?

☐ **Yes.** *Continue*

☐ **No.** *Skip the next question; go to Step 5, question 2.*

3. Does the child meet the conditions to be a qualifying child of any other person (other than your spouse if filing a joint return) for 1999?

☐ **Yes.** *See Qualifying Child of More Than One Person on page 41.*

☐ **No.** This child is your qualifying child. The child must have a social security number as defined on page 41 unless the child was born and died in 1999. *Skip Step 5; go to Step 6.*

Step 5 Filers Without a Qualifying Child

1. Look at the qualifying child conditions in Step 4. Could you, or your spouse if filing a joint return, be a qualifying child of another person in 1999?

☐ **Yes.** STOP You cannot take the credit. *Put "No" directly to the right of line 59a.*

☐ **No.** *Continue*

2. Can you, or your spouse if filing a joint return, be claimed as a dependent on someone else's 1999 tax return?

☐ **Yes.** STOP You cannot take the credit.

☐ **No.** *Continue*

3. Were you, or your spouse if filing a joint return, at least age 25 but under age 65 at the end of 1999?

☐ **Yes.** *Continue*

☐ **No.** STOP You cannot take the credit. *Put "No" directly to the right of line 59a.*

4. Was your home, and your spouse's if filing a joint return, in the United States for more than half of 1999? Members of the military stationed outside the United States, see page 41 before you answer.

☐ **Yes.** *Go to Step 6.*

☐ **No.** STOP You cannot take the credit. *Put "No" directly to the right of line 59a.*

Step 6 Modified Adjusted Gross Income

1. Add the amounts from Form 1040:

Line 8b ______

Line 34 + ______

Modified Adjusted Gross Income = Box A ______

2. If you have:

- 2 or more qualifying children, is Box A less than $30,580?
- 1 qualifying child, is Box A less than $26,928?
- No qualifying children, is Box A less than $10,200?

☐ **Yes.** *Go to Step 7 on page 40.*

☐ **No.** STOP You cannot take the credit.

(Continued on page 40)

EIC for use with Form 1040

Form 1040—Lines 59a and 59b

Continued from page 39

Step 7 Nontaxable and Taxable Earned Income

1. Add all your nontaxable earned income, including your spouse's if filing a joint return. This includes anything of value (money, goods, or services) that is not taxable that you received from your employer for your work. Types of nontaxable earned income are listed below.

- **Salary deferrals,** such as a 401(k) plan or the Federal Thrift Savings Plan, shown in box 13 of your W-2 form. See page 41.
- **Salary reductions,** such as under a cafeteria plan, unless they are included in box 1 of your W-2 form. See page 41.
- **Mandatory contributions** to a state or local retirement plan.
- **Military employee** basic housing, subsistence, and combat zone compensation. These amounts are shown in box 13 of your W-2 form with code Q.
- **Meals and lodging** provided for the convenience of your employer.
- **Housing allowances** or rental value of a parsonage for clergy members. If filing Schedule SE, see Clergy on this page.
- **Excludable dependent care benefits** from Form 2441, line 18, employer-provided adoption benefits from Form 8839, line 30, and educational assistance benefits (these benefits may be shown in box 14 of your W-2 form).
- **Certain amounts** received by Native Americans. See Pub. 596.

Note. Nontaxable earned income does not include welfare benefits or workfare payments (see page 41), or qualified foster care payments.

Nontaxable Earned Income = Box B ________

Enter the amount and type of your nontaxable earned income on Form 1040, line 59b.

2. Figure taxable earned income:

Form 1040, line 7 ________

Subtract:

- Any taxable scholarship or fellowship grant not reported on a W-2 form
- Any amount paid to an inmate in a penal institution for work (put "PRI" and the amount subtracted on the dotted line next to line 7 of Form 1040)

– ________

Taxable Earned Income = Box C ________

3. Were you self-employed or are you filing Schedule C or C-EZ as a statutory employee?

☐ **Yes.** *Skip Steps 8 and 9; go to Worksheet B on page 43.* ☐ **No.** *Go to Step 8.*

Step 8 Total Earned Income

1. Nontaxable Earned Income (Step 7, Box B) ________

Taxable Earned Income (Step 7, Box C) + ________

Total Earned Income = Box D ________

2. If you have:

- 2 or more qualifying children, is Box D less than $30,580?
- 1 qualifying child, is Box D less than $26,928?
- No qualifying children, is Box D less than $10,200?

☐ **Yes.** *Go to Step 9.* ☐ **No.** STOP You cannot take the credit. *Put "No" directly to the right of line 59a.*

Step 9 How To Figure the Credit

1. Do you want the IRS to figure the credit for you?

☐ **Yes.** *See Credit Figured by the IRS below.* ☐ **No.** *Go to Worksheet A on page 42.*

Definitions and Special Rules

(listed in alphabetical order)

Adopted Child. Any child placed with you by an authorized placement agency for legal adoption. The adoption does not have to be final.

Clergy. If you are filing Schedule SE and the amount on line 2 of that schedule includes an amount that was also reported on Form 1040, line 7:

1. Put "Clergy" directly to the right of line 59a of Form 1040.
2. Do not include any housing allowance or rental value of the parsonage as nontaxable earned income in Box B if it is required to be included on Schedule SE, line 2.
3. Determine how much of the amount on Form 1040, line 7, was also reported on Schedule SE, line 2.
4. Subtract that amount from the amount on Form 1040, line 7. Enter the result in the first space of Step 7, line 2.
5. Be sure to answer "Yes" on line 3 of Step 7.

Credit Figured by the IRS. To have the IRS figure the credit for you:

1. Put "EIC" directly to the right of line 59a of Form 1040.
2. Be sure you entered the amount and the type of any nontaxable earned income (Step 7, Box B, on this page) on Form 1040, line 59b.
3. If you have a qualifying child, complete and attach Schedule EIC. If your 1997 or 1998 EIC was reduced or disallowed, see Form 8862, Who Must File, on page 41.

(Continued on page 41)

EIC for use with Form 1040

Form 1040—Lines 59a and 59b

Continued from page 40

Exception to "Time Lived With You" Condition. A child is considered to have lived with you for all of 1999 if the child was born or died in 1999 and your home was this child's home for the entire time he or she was alive in 1999. Temporary absences, such as for school, vacation, or medical care, count as time lived at home. If you were in the military stationed outside the United States, see Members of the Military below.

Form 4797 Filers. If the amount on Form 1040, line 13, includes an amount from Form 4797, you must use Pub. 596 to see if you can take the EIC and how to figure it. To get Pub. 596, see page 7. Otherwise, stop; you cannot take the EIC.

Form 8862, Who Must File. You must file Form 8862 if your 1997 or 1998 EIC was reduced or disallowed for any reason other than a math or clerical error. But do not file Form 8862 if, after your EIC was reduced or disallowed in an earlier year, you filed Form 8862 (or other documents) and your EIC was then allowed. Also do not file Form 8862 or take the credit if it was determined that your error was due to reckless or intentional disregard of the EIC rules or fraud.

Foster Child. Any child you cared for as your own child. For example, if you acted as the parent of your niece or nephew, this child is considered your foster child.

Grandchild. Any descendant of your son, daughter, or adopted child. For example, a grandchild includes your great-grandchild, great-great-grandchild, etc.

Married Child. A child who was married at the end of 1999 is a qualifying child only if **(1)** you can claim him or her as your dependent on Form 1040, line 6c, or **(2)** this child's other parent claims him or her as a dependent under the rules in Pub. 501 for children of divorced or separated parents.

Members of the Military. If you were on extended active duty outside the United States, your home is considered to be in the United States during that duty period. Extended active duty is military duty ordered for an indefinite period or for a period of more than 90 days. Once you begin serving extended active duty, you are considered to be on extended active duty even if you serve fewer than 90 days.

Nonresident Aliens. If your filing status is married filing jointly, go to Step 2 on page 38. Otherwise, stop; you cannot take the EIC.

Permanently and Totally Disabled Child. A child who cannot engage in any substantial gainful activity because of a physical or mental condition and a doctor has determined that this condition:

- Has lasted or can be expected to last continuously for at least a year, or
- Can lead to death.

Qualifying Child of More Than One Person. If the child meets the conditions to be a qualifying child of more than one person, only the person who had the **highest** modified AGI (adjusted gross income) for 1999 may treat that child as a qualifying child. The other person(s) cannot take the EIC for people who do not have a qualifying child. If the other person is your spouse and you are filing a joint return, this rule does not apply. If you have the highest modified AGI, this child is your qualifying child. The child must have a social security number as defined on this page unless the child was born and died in 1999. Skip Step 5; go to Step 6 on page 39. If you do not have the highest modified AGI, stop; you cannot take the EIC. Put "No" directly to the right of line 59a.

Modified AGI is the total of the amounts on Form 1040, lines 8b and 34, increased by:

- Any loss claimed on Form 1040, line 13,
- Any loss from the rental of personal property not used in a trade or business,
- 75% of any losses on Form 1040, lines 12 and 18,
- Certain nontaxable distributions from a pension, annuity, or IRA (see Pub. 596), and
- Certain amounts reported on Schedule E (see Pub. 596).

Example. You and your 5-year-old daughter moved in with your mother in April 1999. You are not a qualifying child of your mother. Your daughter meets the conditions to be a qualifying child for both you and your mother. Your modified AGI for 1999 was $8,000 and your mother's was $14,000. Because your mother's modified AGI was higher, your daughter is your mother's qualifying child. You **cannot** take any EIC, even if your mother does not claim the credit. You would put "No" directly to the right of line 59a.

Salary Deferrals. Contributions from your pay to certain retirement plans, such as a 401(k) plan or the Federal Thrift Savings Plan, shown in box 13 of your W-2 form. The "Deferred compensation" box in box 15 of your W-2 form should be checked.

Salary Reductions. Amounts you could have been paid but chose instead to have your employer contribute to certain benefit plans, such as a cafeteria plan. A cafeteria plan is a plan that allows you to choose to receive either cash or certain benefits that are not taxed (such as accident and health insurance).

Social Security Number (SSN). For purposes of taking the EIC, an SSN is a number issued by the Social Security Administration to a U.S. citizen or to a person who has permission from the Immigration and Naturalization Service to work in the United States. It does not include an SSN issued only to allow a person to apply for or receive Federally funded benefits. If your social security card, or your spouse's if filing a joint return, says "Not valid for employment," you cannot take the EIC.

To find out how to get an SSN, see page 18. If you will not have an SSN by April 17, 2000, see What if You Cannot File on Time? on page 14.

Student. A child who during any 5 months of 1999:

- Was enrolled as a full-time student at a school, or
- Took a full-time, on-farm training course given by a school or a state, county, or local government agency.

A **school** includes technical, trade, and mechanical schools. It does not include on-the-job training courses, correspondence schools, or night schools.

Welfare Benefits, Effect of Credit on. Any refund you receive as a result of taking the EIC will not be used to determine if you are eligible for the following programs, or how much you can receive from them.

- Temporary Assistance for Needy Families (TANF).
- Medicaid and supplemental security income (SSI).
- Food stamps and low-income housing.

Workfare Payments. Cash payments certain people receive from a state or local agency that administers public assistance programs funded under the Federal Temporary Assistance for Needy Families (TANF) program in return for certain work activities such as:

- Work experience activities (including work associated with remodeling or repairing publicly assisted housing) if sufficient private sector employment is not available, or
- Community service program activities.

EIC for use with Form 1040

Form 1040—Lines 59a and 59b

Worksheet A—Earned Income Credit (EIC)—Lines 59a and 59b

Keep for Your Records

Before you begin: Be sure you are using the correct worksheet. **Do not** use this worksheet if you were self-employed or you are filing Schedule C or C-EZ as a statutory employee. Instead, use Worksheet B on page 43.

Part 1

All Filers Using Worksheet A

1. Enter your total earned income from Step 8, Box D, on page 40 **1** ______

2. Look up the amount on line 1 above in the EIC Table on pages 45-47 to find the credit. Enter the credit here. **2** ______

If line 2 is zero, STOP You cannot take the credit. *Put "No" directly to the right of line 59a.*

3. Enter your modified adjusted gross income from Step 6, Box A, on page 39. **3** ______

4. Are the amounts on lines 3 and 1 the same?

☐ **Yes.** *Skip line 5; enter the amount from line 2 on line 6.*

☐ **No.** *Go to line 5.*

Part 2

Filers Who Answered "No" on Line 4

5. Is the amount on line 3 less than:

- $5,700 if you do not have a qualifying child, OR
- $12,500 if you have one or more qualifying children?

☐ **Yes.** *Leave line 5 blank; enter the amount from line 2 on line 6.*

☐ **No.** Look up the amount on line 3 in the EIC Table on pages 45-47 to find the credit. Enter the credit here. **5** ______

Look at the amounts on lines 5 and 2. Then, enter the SMALLER amount on line 6.

Part 3

Your Earned Income Credit

6. This is your earned income credit. **6** ______

Enter this amount on Form 1040, line 59a.

Reminder—

✓ Be sure you entered the amount and the type of any nontaxable earned income (Step 7, Box B, on page 40) on Form 1040, line 59b.

✓ If you have a qualifying child, complete and attach Schedule EIC.

CAUTION If your 1997 or 1998 EIC was reduced or disallowed, see page 41 to find out if you must file Form 8862 to take the credit for 1999.

EIC for use with Form 1040

Form 1040—Lines 59a and 59b

Worksheet B—Earned Income Credit (EIC)—Lines 59a and 59b

Keep for Your Records

Use this worksheet if you were self-employed or you are filing Schedule C or C-EZ as a statutory employee.

- ✓ Complete the parts below (Parts 1–3) that apply to you. Then, continue to Part 4.
- ✓ If you are married filing a joint return, include your spouse's amounts, if any, with yours to figure the amounts to enter in Parts 1 through 3.

Part 1

Self-Employed Filing Schedule SE

1a.	**Enter the amount from Schedule SE, Section A, line 3, or Section B, line 3, whichever applies.**	1a
b.	**Enter the amount from Schedule SE, Section B, line 4b, if any.**	+ 1b
c.	**Add lines 1a and 1b.**	= 1c
d.	**Enter the amount from Schedule SE, Section A, line 6, or Section B, line 13, whichever applies.**	1d
e.	**Subtract line 1d from 1c.**	= 1e

Part 2

Self-Employed NOT Filing Schedule SE

For example, your net earnings from self-employment were less than $400.

2. **Do not include on these lines any statutory employee income or any amount exempt from self-employment tax as the result of the filing and approval of Form 4029 or Form 4361.**

a.	**Enter any net farm profit from Schedule F, line 36, and from farm partnerships, Schedule K-1 (Form 1065), line 15a.**	2a
b.	**Enter any net profit from Schedule C, line 31; Schedule C-EZ, line 3; Schedule K-1 (Form 1065), line 15a (other than farming); and Schedule K-1 (Form 1065-B), box 9.**	+ 2b
c.	**Add lines 2a and 2b.**	= 2c

Part 3

Statutory Employees Filing Schedule C or C-EZ

3.	Enter the amount from Schedule C, line 1, or Schedule C-EZ, line 1, that you are filing as a statutory employee.	3

Part 4

All Self-Employed and Statutory Employees

Note. If line 4d includes income on which you should have paid self-employment tax but did not, we may reduce your credit by the amount of self-employment tax not paid.

4a.	Add lines 1e, 2c, and 3.	4a
b.	**Enter your nontaxable earned income from Step 7, Box B, on page 40.**	+ 4b
c.	**Enter your taxable earned income from Step 7, Box C, on page 40.**	+ 4c
d.	Add lines 4a, 4b, and 4c. **This is your total earned income.**	= 4d

5. If you have:

- 2 or more qualifying children, is line 4d less than $30,580?
- 1 qualifying child, is line 4d less than $26,928?
- No qualifying children, is line 4d less than $10,200?

☐ **Yes.** **If you want the IRS to figure your credit, see page 40.** ***If you want to figure the credit yourself, enter the amount from line 4d on line 6 (page 44).***

☐ **No.** STOP You cannot take the credit.
Put "No" directly to the right of line 59a.

(Continued on page 44)

EIC for use with Form 1040

Form 1040—Lines 59a and 59b

Worksheet B—*Continued from page 43*

Keep for Your Records

Part 5

All Filers Using Worksheet B

6. Enter your total earned income from Part 4, line 4d, on page 43. **6** ______

7. Look up the amount on line 6 above in the EIC Table on pages 45–47 to find the credit. Enter the credit here. **7** ______

If line 7 is zero, STOP You cannot take the credit.
Put "No" directly to the right of line 59a.

8. Enter your modified adjusted gross income from Step 6, Box A, on page 39. **8** ______

9. Are the amounts on lines 8 and 6 the same?

☐ **Yes.** *Skip line 10; enter the amount from line 7 on line 11.*

☐ **No.** *Go to line 10.*

10. Is the amount on line 8 less than:

- $5,700 if you do not have a qualifying child, OR
- $12,500 if you have one or more qualifying children?

☐ **Yes.** *Leave line 10 blank; enter the amount from line 7 on line 11.*

☐ **No.** Look up the amount on line 8 in the EIC Table on pages 45–47 to find the credit. Enter the credit here. **10** ______
Look at the amounts on lines 10 and 7.
Then, enter the SMALLER amount on line 11.

Part 6

Your Earned Income Credit

11. **This is your earned income credit.** **11** ______

Enter this amount on Form 1040, line 59a.

Reminder—

✓ Be sure you entered the amount and the type of any nontaxable earned income (Step 7, Box B, on page 40) on Form 1040, line 59b.

✓ If you have a qualifying child, complete and attach Schedule EIC.

CAUTION If your 1997 or 1998 EIC was r[illegible]ced or disallowed, see page 41 to find out if you must file Form 8862 to take the credit for 1999.

EIC for use with Form 1040

1999 Earned Income Credit (EIC) Table

This is **not** a tax table.

1. To find your credit, read down the "At least – But less than" columns and find the line that includes the amount you were told to look up from your EIC Worksheet.

2. Then, read across to the column that includes the number of qualifying children you have. Enter the credit from that column on your EIC Worksheet.

Example. If you have one qualifying child and the amount you are looking up from your EIC Worksheet is $4,875, you would enter $1,658.

If the amount you are looking up from the worksheet is—		And you have—		
At least	But less than	No children	One child	Two children
		Your credit is—		
4,800	4,850	347	1,641	1,930
4,850	4,900	347	1,658	1,950
4,900	4,950	347	1,675	1,970
4,950	5,000	347	1,692	1,990

If the amount you are looking up from the worksheet is—		And you have—		
At least	But less than	No children	One child	Two children
		Your credit is—		
$1	$50	$2	$9	$10
50	100	6	26	30
100	150	10	43	50
150	200	13	60	70
200	250	17	77	90
250	300	21	94	110
300	350	25	111	130
350	400	29	128	150
400	450	33	145	170
450	500	36	162	190
500	550	40	179	210
550	600	44	196	230
600	650	48	213	250
650	700	52	230	270
700	750	55	247	290
750	800	59	264	310
800	850	63	281	330
850	900	67	298	350
900	950	71	315	370
950	1,000	75	332	390
1,000	1,050	78	349	410
1,050	1,100	82	366	430
1,100	1,150	86	383	450
1,150	1,200	90	400	470
1,200	1,250	94	417	490
1,250	1,300	98	434	510
1,300	1,350	101	451	530
1,350	1,400	105	468	550
1,400	1,450	109	485	570
1,450	1,500	113	502	590
1,500	1,550	117	519	610
1,550	1,600	120	536	630
1,600	1,650	124	553	650
1,650	1,700	128	570	670
1,700	1,750	132	587	690
1,750	1,800	136	604	710
1,800	1,850	140	621	730
1,850	1,900	143	638	750
1,900	1,950	147	655	770
1,950	2,000	151	672	790
2,000	2,050	155	689	810
2,050	2,100	159	706	830
2,100	2,150	163	723	850
2,150	2,200	166	740	870
2,200	2,250	170	757	890
2,250	2,300	174	774	910
2,300	2,350	178	791	930
2,350	2,400	182	808	950
2,400	2,450	186	825	970
2,450	2,500	189	842	990
2,500	2,550	193	859	1,010
2,550	2,600	197	876	1,030
2,600	2,650	201	893	1,050
2,650	2,700	205	910	1,070
2,700	2,750	208	927	1,090
2,750	2,800	212	944	1,110
2,800	2,850	216	961	1,130
2,850	2,900	220	978	1,150
2,900	2,950	224	995	1,170
2,950	3,000	228	1,012	1,190
3,000	3,050	231	1,029	1,210
3,050	3,100	235	1,046	1,230
3,100	3,150	239	1,063	1,250
3,150	3,200	243	1,080	1,270
3,200	3,250	247	1,097	1,290
3,250	3,300	251	1,114	1,310
3,300	3,350	254	1,131	1,330
3,350	3,400	258	1,148	1,350
3,400	3,450	262	1,165	1,370
3,450	3,500	266	1,182	1,390
3,500	3,550	270	1,199	1,410
3,550	3,600	273	1,216	1,430
3,600	3,650	277	1,233	1,450
3,650	3,700	281	1,250	1,470
3,700	3,750	285	1,267	1,490
3,750	3,800	289	1,284	1,510
3,800	3,850	293	1,301	1,530
3,850	3,900	296	1,318	1,550
3,900	3,950	300	1,335	1,570
3,950	4,000	304	1,352	1,590
4,000	4,050	308	1,369	1,610
4,050	4,100	312	1,386	1,630
4,100	4,150	316	1,403	1,650
4,150	4,200	319	1,420	1,670
4,200	4,250	323	1,437	1,690
4,250	4,300	327	1,454	1,710
4,300	4,350	331	1,471	1,730
4,350	4,400	335	1,488	1,750
4,400	4,450	339	1,505	1,770
4,450	4,500	342	1,522	1,790
4,500	4,550	347	1,539	1,810
4,550	4,600	347	1,556	1,830
4,600	4,650	347	1,573	1,850
4,650	4,700	347	1,590	1,870
4,700	4,750	347	1,607	1,890
4,750	4,800	347	1,624	1,910
4,800	4,850	347	1,641	1,930
4,850	4,900	347	1,658	1,950
4,900	4,950	347	1,675	1,970
4,950	5,000	347	1,692	1,990
5,000	5,050	347	1,709	2,010
5,050	5,100	347	1,726	2,030
5,100	5,150	347	1,743	2,050
5,150	5,200	347	1,760	2,070
5,200	5,250	347	1,777	2,090
5,250	5,300	347	1,794	2,110
5,300	5,350	347	1,811	2,130
5,350	5,400	347	1,828	2,150
5,400	5,450	347	1,845	2,170
5,450	5,500	347	1,862	2,190
5,500	5,550	347	1,879	2,210
5,550	5,600	347	1,896	2,230
5,600	5,650	347	1,913	2,250
5,650	5,700	347	1,930	2,270
5,700	5,750	342	1,947	2,290
5,750	5,800	339	1,964	2,310
5,800	5,850	335	1,981	2,330
5,850	5,900	331	1,998	2,350
5,900	5,950	327	2,015	2,370
5,950	6,000	323	2,032	2,390
6,000	6,050	319	2,049	2,410
6,050	6,100	316	2,066	2,430
6,100	6,150	312	2,083	2,450
6,150	6,200	308	2,100	2,470
6,200	6,250	304	2,117	2,490
6,250	6,300	300	2,134	2,510
6,300	6,350	296	2,151	2,530
6,350	6,400	293	2,168	2,550
6,400	6,450	289	2,185	2,570
6,450	6,500	285	2,202	2,590
6,500	6,550	281	2,219	2,610
6,550	6,600	277	2,236	2,630
6,600	6,650	273	2,253	2,650
6,650	6,700	270	2,270	2,670
6,700	6,750	266	2,287	2,690
6,750	6,800	262	2,304	2,710
6,800	6,850	258	2,312	2,730
6,850	6,900	254	2,312	2,750
6,900	6,950	251	2,312	2,770
6,950	7,000	247	2,312	2,790
7,000	7,050	243	2,312	2,810
7,050	7,100	239	2,312	2,830
7,100	7,150	235	2,312	2,850
7,150	7,200	231	2,312	2,870
7,200	7,250	228	2,312	2,890
7,250	7,300	224	2,312	2,910
7,300	7,350	220	2,312	2,930
7,350	7,400	216	2,312	2,950
7,400	7,450	212	2,312	2,970
7,450	7,500	208	2,312	2,990
7,500	7,550	205	2,312	3,010
7,550	7,600	201	2,312	3,030
7,600	7,650	197	2,312	3,050
7,650	7,700	193	2,312	3,070
7,700	7,750	189	2,312	3,090
7,750	7,800	186	2,312	3,110
7,800	7,850	182	2,312	3,130
7,850	7,900	178	2,312	3,150
7,900	7,950	174	2,312	3,170
7,950	8,000	170	2,312	3,190
8,000	8,050	166	2,312	3,210
8,050	8,100	163	2,312	3,230
8,100	8,150	159	2,312	3,250
8,150	8,200	155	2,312	3,270
8,200	8,250	151	2,312	3,290
8,250	8,300	147	2,312	3,310
8,300	8,350	143	2,312	3,330
8,350	8,400	140	2,312	3,350
8,400	8,450	136	2,312	3,370
8,450	8,500	132	2,312	3,390
8,500	8,550	128	2,312	3,410
8,550	8,600	124	2,312	3,430
8,600	8,650	120	2,312	3,450
8,650	8,700	117	2,312	3,470
8,700	8,750	113	2,312	3,490
8,750	8,800	109	2,312	3,510

(Continued)

EIC for use with Form 1040

1999 Earned Income Credit (EIC) Table *Continued* (**Caution:** *This is **not** a tax table.*)

If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—			If the amount you are looking up from the worksheet is—		And you have—		
		No children	One child	Two children			No children	One child	Two children			No children	One child	Two children			No children	One child	Two children
At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—			At least	But less than	Your credit is—		
8,800	**8,850**	105	2,312	3,530	**13,850**	**13,900**	0	2,086	3,518	**16,650**	**16,700**	0	1,638	2,928	**19,450**	**19,500**	0	1,191	2,339
8,850	**8,900**	101	2,312	3,550	**13,900**	**13,950**	0	2,078	3,507	**16,700**	**16,750**	0	1,630	2,918	**19,500**	**19,550**	0	1,183	2,328
8,900	**8,950**	98	2,312	3,570	**13,950**	**14,000**	0	2,070	3,497	**16,750**	**16,800**	0	1,622	2,907	**19,550**	**19,600**	0	1,175	2,318
8,950	**9,000**	94	2,312	3,590	**14,000**	**14,050**	0	2,062	3,486	**16,800**	**16,850**	0	1,614	2,897	**19,600**	**19,650**	0	1,167	2,307
9,000	**9,050**	90	2,312	3,610	**14,050**	**14,100**	0	2,054	3,476	**16,850**	**16,900**	0	1,606	2,886	**19,650**	**19,700**	0	1,159	2,297
9,050	**9,100**	86	2,312	3,630	**14,100**	**14,150**	0	2,046	3,465	**16,900**	**16,950**	0	1,598	2,876	**19,700**	**19,750**	0	1,151	2,286
9,100	**9,150**	82	2,312	3,650	**14,150**	**14,200**	0	2,038	3,455	**16,950**	**17,000**	0	1,591	2,865	**19,750**	**19,800**	0	1,143	2,275
9,150	**9,200**	78	2,312	3,670	**14,200**	**14,250**	0	2,030	3,444	**17,000**	**17,050**	0	1,583	2,855	**19,800**	**19,850**	0	1,135	2,265
9,200	**9,250**	75	2,312	3,690	**14,250**	**14,300**	0	2,022	3,434	**17,050**	**17,100**	0	1,575	2,844	**19,850**	**19,900**	0	1,127	2,254
9,250	**9,300**	71	2,312	3,710	**14,300**	**14,350**	0	2,014	3,423	**17,100**	**17,150**	0	1,567	2,834	**19,900**	**19,950**	0	1,119	2,244
9,300	**9,350**	67	2,312	3,730	**14,350**	**14,400**	0	2,006	3,413	**17,150**	**17,200**	0	1,559	2,823	**19,950**	**20,000**	0	1,111	2,233
9,350	**9,400**	63	2,312	3,750	**14,400**	**14,450**	0	1,998	3,402	**17,200**	**17,250**	0	1,551	2,812	**20,000**	**20,050**	0	1,103	2,223
9,400	**9,450**	59	2,312	3,770	**14,450**	**14,500**	0	1,990	3,392	**17,250**	**17,300**	0	1,543	2,802	**20,050**	**20,100**	0	1,095	2,212
9,450	**9,500**	55	2,312	3,790	**14,500**	**14,550**	0	1,982	3,381	**17,300**	**17,350**	0	1,535	2,791	**20,100**	**20,150**	0	1,087	2,202
9,500	**9,550**	52	2,312	3,816	**14,550**	**14,600**	0	1,974	3,371	**17,350**	**17,400**	0	1,527	2,781	**20,150**	**20,200**	0	1,079	2,191
9,550	**9,600**	48	2,312	3,816	**14,600**	**14,650**	0	1,966	3,360	**17,400**	**17,450**	0	1,519	2,770	**20,200**	**20,250**	0	1,071	2,181
9,600	**9,650**	44	2,312	3,816	**14,650**	**14,700**	0	1,958	3,350	**17,450**	**17,500**	0	1,511	2,760	**20,250**	**20,300**	0	1,063	2,170
9,650	**9,700**	40	2,312	3,816	**14,700**	**14,750**	0	1,950	3,339	**17,500**	**17,550**	0	1,503	2,749	**20,300**	**20,350**	0	1,055	2,160
9,700	**9,750**	36	2,312	3,816	**14,750**	**14,800**	0	1,942	3,328	**17,550**	**17,600**	0	1,495	2,739	**20,350**	**20,400**	0	1,047	2,149
9,750	**9,800**	33	2,312	3,816	**14,800**	**14,850**	0	1,934	3,318	**17,600**	**17,650**	0	1,487	2,728	**20,400**	**20,450**	0	1,039	2,139
9,800	**9,850**	29	2,312	3,816	**14,850**	**14,900**	0	1,926	3,307	**17,650**	**17,700**	0	1,479	2,718	**20,450**	**20,500**	0	1,031	2,128
9,850	**9,900**	25	2,312	3,816	**14,900**	**14,950**	0	1,918	3,297	**17,700**	**17,750**	0	1,471	2,707	**20,500**	**20,550**	0	1,023	2,118
9,900	**9,950**	21	2,312	3,816	**14,950**	**15,000**	0	1,910	3,286	**17,750**	**17,800**	0	1,463	2,697	**20,550**	**20,600**	0	1,015	2,107
9,950	**10,000**	17	2,312	3,816	**15,000**	**15,050**	0	1,902	3,276	**17,800**	**17,850**	0	1,455	2,686	**20,600**	**20,650**	0	1,007	2,096
10,000	**10,050**	13	2,312	3,816	**15,050**	**15,100**	0	1,894	3,265	**17,850**	**17,900**	0	1,447	2,676	**20,650**	**20,700**	0	999	2,086
10,050	**10,100**	10	2,312	3,816	**15,100**	**15,150**	0	1,886	3,255	**17,900**	**17,950**	0	1,439	2,665	**20,700**	**20,750**	0	991	2,075
10,100	**10,150**	6	2,312	3,816	**15,150**	**15,200**	0	1,878	3,244	**17,950**	**18,000**	0	1,431	2,655	**20,750**	**20,800**	0	983	2,065
10,150	**10,200**	2	2,312	3,816	**15,200**	**15,250**	0	1,870	3,234	**18,000**	**18,050**	0	1,423	2,644	**20,800**	**20,850**	0	975	2,054
10,200	**12,500**	0	2,312	3,816	**15,250**	**15,300**	0	1,862	3,223	**18,050**	**18,100**	0	1,415	2,633	**20,850**	**20,900**	0	967	2,044
12,500	**12,550**	0	2,302	3,802	**15,300**	**15,350**	0	1,854	3,213	**18,100**	**18,150**	0	1,407	2,623	**20,900**	**20,950**	0	959	2,033
12,550	**12,600**	0	2,294	3,792	**15,350**	**15,400**	0	1,846	3,202	**18,150**	**18,200**	0	1,399	2,612	**20,950**	**21,000**	0	951	2,023
12,600	**12,650**	0	2,286	3,781	**15,400**	**15,450**	0	1,838	3,192	**18,200**	**18,250**	0	1,391	2,602	**21,000**	**21,050**	0	943	2,012
12,650	**12,700**	0	2,278	3,771	**15,450**	**15,500**	0	1,830	3,181	**18,250**	**18,300**	0	1,383	2,591	**21,050**	**21,100**	0	935	2,002
12,700	**12,750**	0	2,270	3,760	**15,500**	**15,550**	0	1,822	3,171	**18,300**	**18,350**	0	1,375	2,581	**21,100**	**21,150**	0	927	1,991
12,750	**12,800**	0	2,262	3,750	**15,550**	**15,600**	0	1,814	3,160	**18,350**	**18,400**	0	1,367	2,570	**21,150**	**21,200**	0	919	1,981
12,800	**12,850**	0	2,254	3,739	**15,600**	**15,650**	0	1,806	3,149	**18,400**	**18,450**	0	1,359	2,560	**21,200**	**21,250**	0	911	1,970
12,850	**12,900**	0	2,246	3,729	**15,650**	**15,700**	0	1,798	3,139	**18,450**	**18,500**	0	1,351	2,549	**21,250**	**21,300**	0	903	1,960
12,900	**12,950**	0	2,238	3,718	**15,700**	**15,750**	0	1,790	3,128	**18,500**	**18,550**	0	1,343	2,539	**21,300**	**21,350**	0	895	1,949
12,950	**13,000**	0	2,230	3,708	**15,750**	**15,800**	0	1,782	3,118	**18,550**	**18,600**	0	1,335	2,528	**21,350**	**21,400**	0	887	1,939
13,000	**13,050**	0	2,222	3,697	**15,800**	**15,850**	0	1,774	3,107	**18,600**	**18,650**	0	1,327	2,518	**21,400**	**21,450**	0	879	1,928
13,050	**13,100**	0	2,214	3,686	**15,850**	**15,900**	0	1,766	3,097	**18,650**	**18,700**	0	1,319	2,507	**21,450**	**21,500**	0	871	1,917
13,100	**13,150**	0	2,206	3,676	**15,900**	**15,950**	0	1,758	3,086	**18,700**	**18,750**	0	1,311	2,497	**21,500**	**21,550**	0	863	1,907
13,150	**13,200**	0	2,198	3,665	**15,950**	**16,000**	0	1,750	3,076	**18,750**	**18,800**	0	1,303	2,486	**21,550**	**21,600**	0	855	1,896
13,200	**13,250**	0	2,190	3,655	**16,000**	**16,050**	0	1,742	3,065	**18,800**	**18,850**	0	1,295	2,476	**21,600**	**21,650**	0	847	1,886
13,250	**13,300**	0	2,182	3,644	**16,050**	**16,100**	0	1,734	3,055	**18,850**	**18,900**	0	1,287	2,465	**21,650**	**21,700**	0	839	1,875
13,300	**13,350**	0	2,174	3,634	**16,100**	**16,150**	0	1,726	3,044	**18,900**	**18,950**	0	1,279	2,454	**21,700**	**21,750**	0	831	1,865
13,350	**13,400**	0	2,166	3,623	**16,150**	**16,200**	0	1,718	3,034	**18,950**	**19,000**	0	1,271	2,444	**21,750**	**21,800**	0	823	1,854
13,400	**13,450**	0	2,158	3,613	**16,200**	**16,250**	0	1,710	3,023	**19,000**	**19,050**	0	1,263	2,433	**21,800**	**21,850**	0	815	1,844
13,450	**13,500**	0	2,150	3,602	**16,250**	**16,300**	0	1,702	3,013	**19,050**	**19,100**	0	1,255	2,423	**21,850**	**21,900**	0	807	1,833
13,500	**13,550**	0	2,142	3,592	**16,300**	**16,350**	0	1,694	3,002	**19,100**	**19,150**	0	1,247	2,412	**21,900**	**21,950**	0	799	1,823
13,550	**13,600**	0	2,134	3,581	**16,350**	**16,400**	0	1,686	2,992	**19,150**	**19,200**	0	1,239	2,402	**21,950**	**22,000**	0	792	1,812
13,600	**13,650**	0	2,126	3,571	**16,400**	**16,450**	0	1,678	2,981	**19,200**	**19,250**	0	1,231	2,391	**22,000**	**22,050**	0	784	1,802
13,650	**13,700**	0	2,118	3,560	**16,450**	**16,500**	0	1,670	2,970	**19,250**	**19,300**	0	1,223	2,381	**22,050**	**22,100**	0	776	1,791
13,700	**13,750**	0	2,110	3,550	**16,500**	**16,550**	0	1,662	2,960	**19,300**	**19,350**	0	1,215	2,370	**22,100**	**22,150**	0	768	1,781
13,750	**13,800**	0	2,102	3,539	**16,550**	**16,600**	0	1,654	2,949	**19,350**	**19,400**	0	1,207	2,360	**22,150**	**22,200**	0	760	1,770
13,800	**13,850**	0	2,094	3,529	**16,600**	**16,650**	0	1,646	2,939	**19,400**	**19,450**	0	1,199	2,349	**22,200**	**22,250**	0	752	1,759

(Continued)

EIC for use with Form 1040

1999 Earned Income Credit (EIC) Table *Continued* **(Caution:** *This is* ***not*** *a tax table.*)

If the amount you are looking up from the worksheet is—		And you have—		
		No children	One child	Two children
At least	But less than	Your credit is—		
22,250	22,300	0	744	1,749
22,300	22,350	0	736	1,738
22,350	22,400	0	728	1,728
22,400	22,450	0	720	1,717
22,450	22,500	0	712	1,707
22,500	22,550	0	704	1,696
22,550	22,600	0	696	1,686
22,600	22,650	0	688	1,675
22,650	22,700	0	680	1,665
22,700	22,750	0	672	1,654
22,750	22,800	0	664	1,644
22,800	22,350	0	656	1,633
22,850	22,900	0	648	1,623
22,900	22,950	0	640	1,612
22,950	23,000	0	632	1,602
23,000	23,050	0	624	1,591
23,050	23,100	0	616	1,580
23,100	23,150	0	608	1,570
23,150	23,200	0	600	1,559
23,200	23,250	0	592	1,549
23,250	23,300	0	584	1,538
23,300	23,350	0	576	1,528
23,350	23,400	0	568	1,517
23,400	23,450	0	560	1,507
23,450	23,500	0	552	1,496
23,500	23,550	0	544	1,486
23,550	23,600	0	536	1,475
23,600	23,650	0	528	1,465
23,650	23,700	0	520	1,454
23,700	23,750	0	512	1,444
23,750	23,800	0	504	1,433
23,800	23,850	0	496	1,423
23,850	23,900	0	488	1,412
23,900	23,950	0	480	1,401
23,950	24,000	0	472	1,391
24,000	24,050	0	464	1,380
24,050	24,100	0	456	1,370
24,100	24,150	0	448	1,359
24,150	24,200	0	440	1,349
24,200	24,250	0	432	1,338
24,250	24,300	0	424	1,328
24,300	24,350	0	416	1,317
24,350	24,400	0	408	1,307
24,400	24,450	0	400	1,296

If the amount you are looking up from the worksheet is—		And you have—		
		No children	One child	Two children
At least	But less than	Your credit is—		
24,450	24,500	0	392	1,286
24,500	24,550	0	384	1,275
24,550	24,600	0	376	1,265
24,600	24,650	0	368	1,254
24,650	24,700	0	360	1,244
24,700	24,750	0	352	1,233
24,750	24,800	0	344	1,222
24,800	24,850	0	336	1,212
24,850	24,900	0	328	1,201
24,900	24,950	0	320	1,191
24,950	25,000	0	312	1,180
25,000	25,050	0	304	1,170
25,050	25,100	0	296	1,159
25,100	25,150	0	288	1,149
25,150	25,200	0	280	1,138
25,200	25,250	0	272	1,128
25,250	25,300	0	264	1,117
25,300	25,350	0	256	1,107
25,350	25,400	0	248	1,096
25,400	25,450	0	240	1,086
25,450	25,500	0	232	1,075
25,500	25,550	0	224	1,065
25,550	25,600	0	216	1,054
25,600	25,650	0	208	1,043
25,650	25,700	0	200	1,033
25,700	25,750	0	192	1,022
25,750	25,800	0	184	1,012
25,800	25,850	0	176	1,001
25,850	25,900	0	168	991
25,900	25,950	0	160	980
25,950	26,000	0	152	970
26,000	26,050	0	144	959
26,050	26,100	0	136	949
26,100	26,150	0	128	938
26,150	26,200	0	120	928
26,200	26,250	0	112	917
26,250	26,300	0	104	907
26,300	26,350	0	96	896
26,350	26,400	0	88	886
26,400	26,450	0	80	875
26,450	26,500	0	72	864
26,500	26,550	0	64	854
26,550	26,600	0	56	843
26,600	26,650	0	48	833

If the amount you are looking up from the worksheet is—		And you have—		
		No children	One child	Two children
At least	But less than	Your credit is—		
26,650	26,700	0	40	822
26,700	26,750	0	32	812
26,750	26,800	0	24	801
26,800	26,850	0	16	791
26,850	26,900	0	8	780
26,900	26,950	0	*	770
26,950	27,000	0	0	759
27,000	27,050	0	0	749
27,050	27,100	0	0	738
27,100	27,150	0	0	728
27,150	27,200	0	0	717
27,200	27,250	0	0	706
27,250	27,300	0	0	696
27,300	27,350	0	0	685
27,350	27,400	0	0	675
27,400	27,450	0	0	664
27,450	27,500	0	0	654
27,500	27,550	0	0	643
27,550	27,600	0	0	633
27,600	27,650	0	0	622
27,850	27,700	0	0	612
27,700	27,750	0	0	601
27,750	27,800	0	0	591
27,800	27,850	0	0	580
27,850	27,900	0	0	570
27,900	27,950	0	0	559
27,950	28,000	0	0	549
28,000	28,050	0	0	538
28,050	28,100	0	0	527
28,100	28,150	0	0	517
28,150	28,200	0	0	506
28,200	28,250	0	0	496
28,250	28,300	0	0	485
28,300	28,350	0	0	475
28,350	28,400	0	0	464
28,400	28,450	0	0	454
28,450	28,500	0	0	443
28,500	28,550	0	0	433
28,550	28,600	0	0	422
28,600	28,650	0	0	412
28,650	28,700	0	0	401
28,700	28,750	0	0	391
28,750	28,800	0	0	380
28,800	28,850	0	0	370

If the amount you are looking up from the worksheet is—		And you have—		
		No children	One child	Two children
At least	But less than	Your credit is—		
28,850	28,900	0	0	359
28,900	28,950	0	0	348
28,950	29,000	0	0	338
29,000	29,050	0	0	327
29,050	29,100	0	0	317
29,100	29,150	0	0	306
29,150	29,200	0	0	296
29,200	29,250	0	0	285
29,250	29,300	0	0	275
29,300	29,350	0	0	264
29,350	29,400	0	0	254
29,400	29,450	0	0	243
29,450	29,500	0	0	233
29,500	29,550	0	0	222
29,550	29,600	0	0	212
29,600	29,650	0	0	201
29,650	29,700	0	0	191
29,700	29,750	0	0	180
29,750	29,800	0	0	169
29,800	29,850	0	0	159
29,850	29,900	0	0	148
29,900	29,950	0	0	138
29,950	30,000	0	0	127
30,000	30,050	0	0	117
30,050	30,100	0	0	106
30,100	30,150	0	0	96
30,150	30,200	0	0	85
30,200	30,250	0	0	75
30,250	30,300	0	0	64
30,300	30,350	0	0	54
30,350	30,400	0	0	43
30,400	30,450	0	0	33
30,450	30,500	0	0	22
30,500	30,550	0	0	12
30,550	30,580	0	0	3
30,580 or more		0	0	0

*If the amount you are looking up from the worksheet is at least $26,900 but less than $26,928, your credit is $2. Otherwise, you cannot take the credit.

1999 Tax Table

Use if your taxable income is less than $100,000. If $100,000 or more, use the Tax Rate Schedules.

Example. Mr. and Mrs. Brown are filing a joint return. Their taxable income on line 39 of Form 1040 is $25,300. First, they find the $25,300–25,350 income line. Next, they find the column for married filing jointly and read down the column. The amount shown where the income line and filing status column meet is $3,799. This is the tax amount they should enter on line 40 of their Form 1040.

Sample Table

At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house-hold
		Your tax is—			
25,200	**25,250**	3,784	3,784	4,265	3,784
25,250	**25,300**	3,791	3,791	4,279	3,791
25,300	**25,350**	3,799	③,799	4,293	3,799
25,350	**25,400**	3,806	3,806	4,307	3,806

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house-hold
		Your tax is—			
0	**5**	0	0	0	0
5	**15**	2	2	2	2
15	**25**	3	3	3	3
25	**50**	6	6	6	6
50	**75**	9	9	9	9
75	**100**	13	13	13	13
100	**125**	17	17	17	17
125	**150**	21	21	21	21
150	**175**	24	24	24	24
175	**200**	28	28	28	28
200	**225**	32	32	32	32
225	**250**	36	36	36	36
250	**275**	39	39	39	39
275	**300**	43	43	43	43
300	**325**	47	47	47	47
325	**350**	51	51	51	51
350	**375**	54	54	54	54
375	**400**	58	58	58	58
400	**425**	62	62	62	62
425	**450**	66	66	66	66
450	**475**	69	69	69	69
475	**500**	73	73	73	73
500	**525**	77	77	77	77
525	**550**	81	81	81	81
550	**575**	84	84	84	84
575	**600**	88	88	88	88
600	**625**	92	92	92	92
625	**650**	96	96	96	96
650	**675**	99	99	99	99
675	**700**	103	103	103	103
700	**725**	107	107	107	107
725	**750**	111	111	111	111
750	**775**	114	114	114	114
775	**800**	118	118	118	118
800	**825**	122	122	122	122
825	**850**	126	126	126	126
850	**875**	129	129	129	129
875	**900**	133	133	133	133
900	**925**	137	137	137	137
925	**950**	141	141	141	141
950	**975**	144	144	144	144
975	**1,000**	148	148	148	148
1,000					
1,000	**1,025**	152	152	152	152
1,025	**1,050**	156	156	156	156
1,050	**1,075**	159	159	159	159
1,075	**1,100**	163	163	163	163
1,100	**1,125**	167	167	167	167
1,125	**1,150**	171	171	171	171
1,150	**1,175**	174	174	174	174
1,175	**1,200**	178	178	178	178
1,200	**1,225**	182	182	182	182
1,225	**1,250**	186	186	186	186
1,250	**1,275**	189	189	189	189
1,275	**1,300**	193	193	193	193
1,300	**1,325**	197	197	197	197
1,325	**1,350**	201	201	201	201
1,350	**1,375**	204	204	204	204
1,375	**1,400**	208	208	208	208
1,400	**1,425**	212	212	212	212
1,425	**1,450**	216	216	216	216
1,450	**1,475**	219	219	219	219
1,475	**1,500**	223	223	223	223
1,500	**1,525**	227	227	227	227
1,525	**1,550**	231	231	231	231
1,550	**1,575**	234	234	234	234
1,575	**1,600**	238	238	238	238
1,600	**1,625**	242	242	242	242
1,625	**1,650**	246	246	246	246
1,650	**1,675**	249	249	249	249
1,675	**1,700**	253	253	253	253
1,700	**1,725**	257	257	257	257
1,725	**1,750**	261	261	261	261
1,750	**1,775**	264	264	264	264
1,775	**1,800**	268	268	268	268
1,800	**1,825**	272	272	272	272
1,825	**1,850**	276	276	276	276
1,850	**1,875**	279	279	279	279
1,875	**1,900**	283	283	283	283
1,900	**1,925**	287	287	287	287
1,925	**1,950**	291	291	291	291
1,950	**1,975**	294	294	294	294
1,975	**2,000**	298	298	298	298
2,000					
2,000	**2,025**	302	302	302	302
2,025	**2,050**	306	306	306	306
2,050	**2,075**	309	309	309	309
2,075	**2,100**	313	313	313	313
2,100	**2,125**	317	317	317	317
2,125	**2,150**	321	321	321	321
2,150	**2,175**	324	324	324	324
2,175	**2,200**	328	328	328	328
2,200	**2,225**	332	332	332	332
2,225	**2,250**	336	336	336	336
2,250	**2,275**	339	339	339	339
2,275	**2,300**	343	343	343	343
2,300	**2,325**	347	347	347	347
2,325	**2,350**	351	351	351	351
2,350	**2,375**	354	354	354	354
2,375	**2,400**	358	358	358	358
2,400	**2,425**	362	362	362	362
2,425	**2,450**	366	366	366	366
2,450	**2,475**	369	369	369	369
2,475	**2,500**	373	373	373	373
2,500	**2,525**	377	377	377	377
2,525	**2,550**	381	381	381	381
2,550	**2,575**	384	384	384	384
2,575	**2,600**	388	388	388	388
2,600	**2,625**	392	392	392	392
2,625	**2,650**	396	396	396	396
2,650	**2,675**	399	399	399	399
2,675	**2,700**	403	403	403	403
2,700	**2,725**	407	407	407	407
2,725	**2,750**	411	411	411	411
2,750	**2,775**	414	414	414	414
2,775	**2,800**	418	418	418	418
2,800	**2,825**	422	422	422	422
2,825	**2,850**	426	426	426	426
2,850	**2,875**	429	429	429	429
2,875	**2,900**	433	433	433	433
2,900	**2,925**	437	437	437	437
2,925	**2,950**	441	441	441	441
2,950	**2,975**	444	444	444	444
2,975	**3,000**	448	448	448	448
3,000					
3,000	**3,050**	454	454	454	454
3,050	**3,100**	461	461	461	461
3,100	**3,150**	469	469	469	469
3,150	**3,200**	476	476	476	476
3,200	**3,250**	484	484	484	484
3,250	**3,300**	491	491	491	491
3,300	**3,350**	499	499	499	499
3,350	**3,400**	506	506	506	506
3,400	**3,450**	514	514	514	514
3,450	**3,500**	521	521	521	521
3,500	**3,550**	529	529	529	529
3,550	**3,600**	536	536	536	536
3,600	**3,650**	544	544	544	544
3,650	**3,700**	551	551	551	551
3,700	**3,750**	559	559	559	559
3,750	**3,800**	566	566	566	566
3,800	**3,850**	574	574	574	574
3,850	**3,900**	581	581	581	581
3,900	**3,950**	589	589	589	589
3,950	**4,000**	596	596	596	596
4,000					
4,000	**4,050**	604	604	604	604
4,050	**4,100**	611	611	611	611
4,100	**4,150**	619	619	619	619
4,150	**4,200**	626	626	626	626
4,200	**4,250**	634	634	634	634
4,250	**4,300**	641	641	641	641
4,300	**4,350**	649	649	649	649
4,350	**4,400**	656	656	656	656
4,400	**4,450**	664	664	664	664
4,450	**4,500**	671	671	671	671
4,500	**4,550**	679	679	679	679
4,550	**4,600**	686	686	686	686
4,600	**4,650**	694	694	694	694
4,650	**4,700**	701	701	701	701
4,700	**4,750**	709	709	709	709
4,750	**4,800**	716	716	716	716
4,800	**4,850**	724	724	724	724
4,850	**4,900**	731	731	731	731
4,900	**4,950**	739	739	739	739
4,950	**5,000**	746	746	746	746

Continued on next page

* This column must also be used by a qualifying widow(er).

1999 Tax Table—*Continued*

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
5,000					
5,000	5,050	754	754	754	754
5,050	5,100	761	761	761	761
5,100	5,150	769	769	769	769
5,150	5,200	776	776	776	776
5,200	5,250	784	784	784	784
5,250	5,300	791	791	791	791
5,300	5,350	799	799	799	799
5,350	5,400	806	806	806	806
5,400	5,450	814	814	814	814
5,450	5,500	821	821	821	821
5,500	5,550	829	829	829	829
5,550	5,600	836	836	836	836
5,600	5,650	844	844	844	844
5,650	5,700	851	851	851	851
5,700	5,750	859	859	859	859
5,750	5,800	866	866	866	866
5,800	5,850	874	874	874	874
5,850	5,900	881	881	881	881
5,900	5,950	889	889	889	889
5,950	6,000	896	896	896	896
6,000					
6,000	6,050	904	904	904	904
6,050	6,100	911	911	911	911
6,100	6,150	919	919	919	919
6,150	6,200	926	926	926	926
6,200	6,250	934	934	934	934
6,250	6,300	941	941	941	941
6,300	6,350	949	949	949	949
6,350	6,400	956	956	956	956
6,400	6,450	964	964	964	964
6,450	6,500	971	971	971	971
6,500	6,550	979	979	979	979
6,550	6,600	986	986	986	986
6,600	6,650	994	994	994	994
6,650	6,700	1,001	1,001	1,001	1,001
6,700	6,750	1,009	1,009	1,009	1,009
6,750	6,800	1,016	1,016	1,016	1,016
6,800	6,850	1,024	1,024	1,024	1,024
6,850	6,900	1,031	1,031	1,031	1,031
6,900	6,950	1,039	1,039	1,039	1,039
6,950	7,000	1,046	1,046	1,046	1,046
7,000					
7,000	7,050	1,054	1,054	1,054	1,054
7,050	7,100	1,061	1,061	1,061	1,061
7,100	7,150	1,069	1,069	1,069	1,069
7,150	7,200	1,076	1,076	1,076	1,076
7,200	7,250	1,084	1,084	1,084	1,084
7,250	7,300	1,091	1,091	1,091	1,091
7,300	7,350	1,099	1,099	1,099	1,099
7,350	7,400	1,106	1,106	1,106	1,106
7,400	7,450	1,114	1,114	1,114	1,114
7,450	7,500	1,121	1,121	1,121	1,121
7,500	7,550	1,129	1,129	1,129	1,129
7,550	7,600	1,136	1,136	1,136	1,136
7,600	7,650	1,144	1,144	1,144	1,144
7,650	7,700	1,151	1,151	1,151	1,151
7,700	7,750	1,159	1,159	1,159	1,159
7,750	7,800	1,166	1,166	1,166	1,166
7,800	7,850	1,174	1,174	1,174	1,174
7,850	7,900	1,181	1,181	1,181	1,181
7,900	7,950	1,189	1,189	1,189	1,189
7,950	8,000	1,196	1,196	1,196	1,196
8,000					
8,000	8,050	1,204	1,204	1,204	1,204
8,050	8,100	1,211	1,211	1,211	1,211
8,100	8,150	1,219	1,219	1,219	1,219
8,150	8,200	1,226	1,226	1,226	1,226
8,200	8,250	1,234	1,234	1,234	1,234
8,250	8,300	1,241	1,241	1,241	1,241
8,300	8,350	1,249	1,249	1,249	1,249
8,350	8,400	1,256	1,256	1,256	1,256
8,400	8,450	1,264	1,264	1,264	1,264
8,450	8,500	1,271	1,271	1,271	1,271
8,500	8,550	1,279	1,279	1,279	1,279
8,550	8,600	1,286	1,286	1,286	1,286
8,600	8,650	1,294	1,294	1,294	1,294
8,650	8,700	1,301	1,301	1,301	1,301
8,700	8,750	1,309	1,309	1,309	1,309
8,750	8,800	1,316	1,316	1,316	1,316
8,800	8,850	1,324	1,324	1,324	1,324
8,850	8,900	1,331	1,331	1,331	1,331
8,900	8,950	1,339	1,339	1,339	1,339
8,950	9,000	1,346	1,346	1,346	1,346
9,000					
9,000	9,050	1,354	1,354	1,354	1,354
9,050	9,100	1,361	1,361	1,361	1,361
9,100	9,150	1,369	1,369	1,369	1,369
9,150	9,200	1,376	1,376	1,376	1,376
9,200	9,250	1,384	1,384	1,384	1,384
9,250	9,300	1,391	1,391	1,391	1,391
9,300	9,350	1,399	1,399	1,399	1,399
9,350	9,400	1,406	1,406	1,406	1,406
9,400	9,450	1,414	1,414	1,414	1,414
9,450	9,500	1,421	1,421	1,421	1,421
9,500	9,550	1,429	1,429	1,429	1,429
9,550	9,600	1,436	1,436	1,436	1,436
9,600	9,650	1,444	1,444	1,444	1,444
9,650	9,700	1,451	1,451	1,451	1,451
9,700	9,750	1,459	1,459	1,459	1,459
9,750	9,800	1,466	1,466	1,466	1,466
9,800	9,850	1,474	1,474	1,474	1,474
9,850	9,900	1,481	1,481	1,481	1,481
9,900	9,950	1,489	1,489	1,489	1,489
9,950	10,000	1,496	1,496	1,496	1,496
10,000					
10,000	10,050	1,504	1,504	1,504	1,504
10,050	10,100	1,511	1,511	1,511	1,511
10,100	10,150	1,519	1,519	1,519	1,519
10,150	10,200	1,526	1,526	1,526	1,526
10,200	10,250	1,534	1,534	1,534	1,534
10,250	10,300	1,541	1,541	1,541	1,541
10,300	10,350	1,549	1,549	1,549	1,549
10,350	10,400	1,556	1,556	1,556	1,556
10,400	10,450	1,564	1,564	1,564	1,564
10,450	10,500	1,571	1,571	1,571	1,571
10,500	10,550	1,579	1,579	1,579	1,579
10,550	10,600	1,586	1,586	1,586	1,586
10,600	10,650	1,594	1,594	1,594	1,594
10,650	10,700	1,601	1,601	1,601	1,601
10,700	10,750	1,609	1,609	1,609	1,609
10,750	10,800	1,616	1,616	1,616	1,616
10,800	10,850	1,624	1,624	1,624	1,624
10,850	10,900	1,631	1,631	1,631	1,631
10,900	10,950	1,639	1,639	1,639	1,639
10,950	11,000	1,646	1,646	1,646	1,646
11,000					
11,000	11,050	1,654	1,654	1,654	1,654
11,050	11,100	1,661	1,661	1,661	1,661
11,100	11,150	1,669	1,669	1,669	1,669
11,150	11,200	1,676	1,676	1,676	1,676
11,200	11,250	1,684	1,684	1,684	1,684
11,250	11,300	1,691	1,691	1,691	1,691
11,300	11,350	1,699	1,699	1,699	1,699
11,350	11,400	1,706	1,706	1,706	1,706
11,400	11,450	1,714	1,714	1,714	1,714
11,450	11,500	1,721	1,721	1,721	1,721
11,500	11,550	1,729	1,729	1,729	1,729
11,550	11,600	1,736	1,736	1,736	1,736
11,600	11,650	1,744	1,744	1,744	1,744
11,650	11,700	1,751	1,751	1,751	1,751
11,700	11,750	1,759	1,759	1,759	1,759
11,750	11,800	1,766	1,766	1,766	1,766
11,800	11,850	1,774	1,774	1,774	1,774
11,850	11,900	1,781	1,781	1,781	1,781
11,900	11,950	1,789	1,789	1,789	1,789
11,950	12,000	1,796	1,796	1,796	1,796
12,000					
12,000	12,050	1,804	1,804	1,804	1,804
12,050	12,100	1,811	1,811	1,811	1,811
12,100	12,150	1,819	1,819	1,819	1,819
12,150	12,200	1,826	1,826	1,826	1,826
12,200	12,250	1,834	1,834	1,834	1,834
12,250	12,300	1,841	1,841	1,841	1,841
12,300	12,350	1,849	1,849	1,849	1,849
12,350	12,400	1,856	1,856	1,856	1,856
12,400	12,450	1,864	1,864	1,864	1,864
12,450	12,500	1,871	1,871	1,871	1,871
12,500	12,550	1,879	1,879	1,879	1,879
12,550	12,600	1,886	1,886	1,886	1,886
12,600	12,650	1,894	1,894	1,894	1,894
12,650	12,700	1,901	1,901	1,901	1,901
12,700	12,750	1,909	1,909	1,909	1,909
12,750	12,800	1,916	1,916	1,916	1,916
12,800	12,850	1,924	1,924	1,924	1,924
12,850	12,900	1,931	1,931	1,931	1,931
12,900	12,950	1,939	1,939	1,939	1,939
12,950	13,000	1,946	1,946	1,946	1,946
13,000					
13,000	13,050	1,954	1,954	1,954	1,954
13,050	13,100	1,961	1,961	1,961	1,961
13,100	13,150	1,969	1,969	1,969	1,969
13,150	13,200	1,976	1,976	1,976	1,976
13,200	13,250	1,984	1,984	1,984	1,984
13,250	13,300	1,991	1,991	1,991	1,991
13,300	13,350	1,999	1,999	1,999	1,999
13,350	13,400	2,006	2,006	2,006	2,006
13,400	13,450	2,014	2,014	2,014	2,014
13,450	13,500	2,021	2,021	2,021	2,021
13,500	13,550	2,029	2,029	2,029	2,029
13,550	13,600	2,036	2,036	2,036	2,036
13,600	13,650	2,044	2,044	2,044	2,044
13,650	13,700	2,051	2,051	2,051	2,051
13,700	13,750	2,059	2,059	2,059	2,059
13,750	13,800	2,066	2,066	2,066	2,066
13,800	13,850	2,074	2,074	2,074	2,074
13,850	13,900	2,081	2,081	2,081	2,081
13,900	13,950	2,089	2,089	2,089	2,089
13,950	14,000	2,096	2,096	2,096	2,096

* This column must also be used by a qualifying widow(er).

Continued on next page

1999 Tax Table—*Continued*

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
14,000					
14,000	14,050	2,104	2,104	2,104	2,104
14,050	14,100	2,111	2,111	2,111	2,111
14,100	14,150	2,119	2,119	2,119	2,119
14,150	14,200	2,126	2,126	2,126	2,126
14,200	14,250	2,134	2,134	2,134	2,134
14,250	14,300	2,141	2,141	2,141	2,141
14,300	14,350	2,149	2,149	2,149	2,149
14,350	14,400	2,156	2,156	2,156	2,156
14,400	14,450	2,164	2,164	2,164	2,164
14,450	14,500	2,171	2,171	2,171	2,171
14,500	14,550	2,179	2,179	2,179	2,179
14,550	14,600	2,186	2,186	2,186	2,186
14,600	14,650	2,194	2,194	2,194	2,194
14,650	14,700	2,201	2,201	2,201	2,201
14,700	14,750	2,209	2,209	2,209	2,209
14,750	14,800	2,216	2,216	2,216	2,216
14,800	14,850	2,224	2,224	2,224	2,224
14,850	14,900	2,231	2,231	2,231	2,231
14,900	14,950	2,239	2,239	2,239	2,239
14,950	15,000	2,246	2,246	2,246	2,246
15,000					
15,000	15,050	2,254	2,254	2,254	2,254
15,050	15,100	2,261	2,261	2,261	2,261
15,100	15,150	2,269	2,269	2,269	2,269
15,150	15,200	2,276	2,276	2,276	2,276
15,200	15,250	2,284	2,284	2,284	2,284
15,250	15,300	2,291	2,291	2,291	2,291
15,300	15,350	2,299	2,299	2,299	2,299
15,350	15,400	2,306	2,306	2,306	2,306
15,400	15,450	2,314	2,314	2,314	2,314
15,450	15,500	2,321	2,321	2,321	2,321
15,500	15,550	2,329	2,329	2,329	2,329
15,550	15,600	2,336	2,336	2,336	2,336
15,600	15,650	2,344	2,344	2,344	2,344
15,650	15,700	2,351	2,351	2,351	2,351
15,700	15,750	2,359	2,359	2,359	2,359
15,750	15,800	2,366	2,366	2,366	2,366
15,800	15,850	2,374	2,374	2,374	2,374
15,850	15,900	2,381	2,381	2,381	2,381
15,900	15,950	2,389	2,389	2,389	2,389
15,950	16,000	2,396	2,396	2,396	2,396
16,000					
16,000	16,050	2,404	2,404	2,404	2,404
16,050	16,100	2,411	2,411	2,411	2,411
16,100	16,150	2,419	2,419	2,419	2,419
16,150	16,200	2,426	2,426	2,426	2,426
16,200	16,250	2,434	2,434	2,434	2,434
16,250	16,300	2,441	2,441	2,441	2,441
16,300	16,350	2,449	2,449	2,449	2,449
16,350	16,400	2,456	2,456	2,456	2,456
16,400	16,450	2,464	2,464	2,464	2,464
16,450	16,500	2,471	2,471	2,471	2,471
16,500	16,550	2,479	2,479	2,479	2,479
16,550	16,600	2,486	2,486	2,486	2,486
16,600	16,650	2,494	2,494	2,494	2,494
16,650	16,700	2,501	2,501	2,501	2,501
16,700	16,750	2,509	2,509	2,509	2,509
16,750	16,800	2,516	2,516	2,516	2,516
16,800	16,850	2,524	2,524	2,524	2,524
16,850	16,900	2,531	2,531	2,531	2,531
16,900	16,950	2,539	2,539	2,539	2,539
16,950	17,000	2,546	2,546	2,546	2,546
17,000					
17,000	17,050	2,554	2,554	2,554	2,554
17,050	17,100	2,561	2,561	2,561	2,561
17,100	17,150	2,569	2,569	2,569	2,569
17,150	17,200	2,576	2,576	2,576	2,576
17,200	17,250	2,584	2,584	2,584	2,584
17,250	17,300	2,591	2,591	2,591	2,591
17,300	17,350	2,599	2,599	2,599	2,599
17,350	17,400	2,606	2,606	2,606	2,606
17,400	17,450	2,614	2,614	2,614	2,614
17,450	17,500	2,621	2,621	2,621	2,621
17,500	17,550	2,629	2,629	2,629	2,629
17,550	17,600	2,636	2,636	2,636	2,636
17,600	17,650	2,644	2,644	2,644	2,644
17,650	17,700	2,651	2,651	2,651	2,651
17,700	17,750	2,659	2,659	2,659	2,659
17,750	17,800	2,666	2,666	2,666	2,666
17,800	17,850	2,674	2,674	2,674	2,674
17,850	17,900	2,681	2,681	2,681	2,681
17,900	17,950	2,689	2,689	2,689	2,689
17,950	18,000	2,696	2,696	2,696	2,696
18,000					
18,000	18,050	2,704	2,704	2,704	2,704
18,050	18,100	2,711	2,711	2,711	2,711
18,100	18,150	2,719	2,719	2,719	2,719
18,150	18,200	2,726	2,726	2,726	2,726
18,200	18,250	2,734	2,734	2,734	2,734
18,250	18,300	2,741	2,741	2,741	2,741
18,300	18,350	2,749	2,749	2,749	2,749
18,350	18,400	2,756	2,756	2,756	2,756
18,400	18,450	2,764	2,764	2,764	2,764
18,450	18,500	2,771	2,771	2,771	2,771
18,500	18,550	2,779	2,779	2,779	2,779
18,550	18,600	2,786	2,786	2,786	2,786
18,600	18,650	2,794	2,794	2,794	2,794
18,650	18,700	2,801	2,801	2,801	2,801
18,700	18,750	2,809	2,809	2,809	2,809
18,750	18,800	2,816	2,816	2,816	2,816
18,800	18,850	2,824	2,824	2,824	2,824
18,850	18,900	2,831	2,831	2,831	2,831
18,900	18,950	2,839	2,839	2,839	2,839
18,950	19,000	2,846	2,846	2,846	2,846
19,000					
19,000	19,050	2,854	2,854	2,854	2,854
19,050	19,100	2,861	2,861	2,861	2,861
19,100	19,150	2,869	2,869	2,869	2,869
19,150	19,200	2,876	2,876	2,876	2,876
19,200	19,250	2,884	2,884	2,884	2,884
19,250	19,300	2,891	2,891	2,891	2,891
19,300	19,350	2,899	2,899	2,899	2,899
19,350	19,400	2,906	2,906	2,906	2,906
19,400	19,450	2,914	2,914	2,914	2,914
19,450	19,500	2,921	2,921	2,921	2,921
19,500	19,550	2,929	2,929	2,929	2,929
19,550	19,600	2,936	2,936	2,936	2,936
19,600	19,650	2,944	2,944	2,944	2,944
19,650	19,700	2,951	2,951	2,951	2,951
19,700	19,750	2,959	2,959	2,959	2,959
19,750	19,800	2,966	2,966	2,966	2,966
19,800	19,850	2,974	2,974	2,974	2,974
19,850	19,900	2,981	2,981	2,981	2,981
19,900	19,950	2,989	2,989	2,989	2,989
19,950	20,000	2,996	2,996	2,996	2,996
20,000					
20,000	20,050	3,004	3,004	3,004	3,004
20,050	20,100	3,011	3,011	3,011	3,011
20,100	20,150	3,019	3,019	3,019	3,019
20,150	20,200	3,026	3,026	3,026	3,026
20,200	20,250	3,034	3,034	3,034	3,034
20,250	20,300	3,041	3,041	3,041	3,041
20,300	20,350	3,049	3,049	3,049	3,049
20,350	20,400	3,056	3,056	3,056	3,056
20,400	20,450	3,064	3,064	3,064	3,064
20,450	20,500	3,071	3,071	3,071	3,071
20,500	20,550	3,079	3,079	3,079	3,079
20,550	20,600	3,086	3,086	3,086	3,086
20,600	20,650	3,094	3,094	3,094	3,094
20,650	20,700	3,101	3,101	3,101	3,101
20,700	20,750	3,109	3,109	3,109	3,109
20,750	20,800	3,116	3,116	3,116	3,116
20,800	20,850	3,124	3,124	3,124	3,124
20,850	20,900	3,131	3,131	3,131	3,131
20,900	20,950	3,139	3,139	3,139	3,139
20,950	21,000	3,146	3,146	3,146	3,146
21,000					
21,000	21,050	3,154	3,154	3,154	3,154
21,050	21,100	3,161	3,161	3,161	3,161
21,100	21,150	3,169	3,169	3,169	3,169
21,150	21,200	3,176	3,176	3,176	3,176
21,200	21,250	3,184	3,184	3,184	3,184
21,250	21,300	3,191	3,191	3,191	3,191
21,300	21,350	3,199	3,199	3,199	3,199
21,350	21,400	3,206	3,206	3,206	3,206
21,400	21,450	3,214	3,214	3,214	3,214
21,450	21,500	3,221	3,221	3,221	3,221
21,500	21,550	3,229	3,229	3,229	3,229
21,550	21,600	3,236	3,236	3,243	3,236
21,600	21,650	3,244	3,244	3,257	3,244
21,650	21,700	3,251	3,251	3,271	3,251
21,700	21,750	3,259	3,259	3,285	3,259
21,750	21,800	3,266	3,266	3,299	3,266
21,800	21,850	3,274	3,274	3,313	3,274
21,850	21,900	3,281	3,281	3,327	3,281
21,900	21,950	3,289	3,289	3,341	3,289
21,950	22,000	3,296	3,296	3,355	3,296
22,000					
22,000	22,050	3,304	3,304	3,369	3,304
22,050	22,100	3,311	3,311	3,383	3,311
22,100	22,150	3,319	3,319	3,397	3,319
22,150	22,200	3,326	3,326	3,411	3,326
22,200	22,250	3,334	3,334	3,425	3,334
22,250	22,300	3,341	3,341	3,439	3,341
22,300	22,350	3,349	3,349	3,453	3,349
22,350	22,400	3,356	3,356	3,467	3,356
22,400	22,450	3,364	3,364	3,481	3,364
22,450	22,500	3,371	3,371	3,495	3,371
22,500	22,550	3,379	3,379	3,509	3,379
22,550	22,600	3,386	3,386	3,523	3,386
22,600	22,650	3,394	3,394	3,537	3,394
22,650	22,700	3,401	3,401	3,551	3,401
22,700	22,750	3,409	3,409	3,565	3,409
22,750	22,800	3,416	3,416	3,579	3,416
22,800	22,850	3,424	3,424	3,593	3,424
22,850	22,900	3,431	3,431	3,607	3,431
22,900	22,950	3,439	3,439	3,621	3,439
22,950	23,000	3,446	3,446	3,635	3,446

* This column must also be used by a qualifying widow(er).

Continued on next page

1999 Tax Table—*Continued*

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
23,000					
23,000	23,050	3,454	3,454	3,649	3,454
23,050	23,100	3,461	3,461	3,663	3,461
23,100	23,150	3,469	3,469	3,677	3,469
23,150	23,200	3,476	3,476	3,691	3,476
23,200	23,250	3,484	3,484	3,705	3,484
23,250	23,300	3,491	3,491	3,719	3,491
23,300	23,350	3,499	3,499	3,733	3,499
23,350	23,400	3,506	3,506	3,747	3,506
23,400	23,450	3,514	3,514	3,761	3,514
23,450	23,500	3,521	3,521	3,775	3,521
23,500	23,550	3,529	3,529	3,789	3,529
23,550	23,600	3,536	3,536	3,803	3,536
23,600	23,650	3,544	3,544	3,817	3,544
23,650	23,700	3,551	3,551	3,831	3,551
23,700	23,750	3,559	3,559	3,845	3,559
23,750	23,800	3,566	3,566	3,859	3,566
23,800	23,850	3,574	3,574	3,873	3,574
23,850	23,900	3,581	3,581	3,887	3,581
23,900	23,950	3,589	3,589	3,901	3,589
23,950	24,000	3,596	3,596	3,915	3,596
24,000					
24,000	24,050	3,604	3,604	3,929	3,604
24,050	24,100	3,611	3,611	3,943	3,611
24,100	24,150	3,619	3,619	3,957	3,619
24,150	24,200	3,626	3,626	3,971	3,626
24,200	24,250	3,634	3,634	3,985	3,634
24,250	24,300	3,641	3,641	3,999	3,641
24,300	24,350	3,649	3,649	4,013	3,649
24,350	24,400	3,656	3,656	4,027	3,656
24,400	24,450	3,664	3,664	4,041	3,664
24,450	24,500	3,671	3,671	4,055	3,671
24,500	24,550	3,679	3,679	4,069	3,679
24,550	24,600	3,686	3,686	4,083	3,686
24,600	24,650	3,694	3,694	4,097	3,694
24,650	24,700	3,701	3,701	4,111	3,701
24,700	24,750	3,709	3,709	4,125	3,709
24,750	24,800	3,716	3,716	4,139	3,716
24,800	24,850	3,724	3,724	4,153	3,724
24,850	24,900	3,731	3,731	4,167	3,731
24,900	24,950	3,739	3,739	4,181	3,739
24,950	25,000	3,746	3,746	4,195	3,746
25,000					
25,000	25,050	3,754	3,754	4,209	3,754
25,050	25,100	3,761	3,761	4,223	3,761
25,100	25,150	3,769	3,769	4,237	3,769
25,150	25,200	3,776	3,776	4,251	3,776
25,200	25,250	3,784	3,784	4,265	3,784
25,250	25,300	3,791	3,791	4,279	3,791
25,300	25,350	3,799	3,799	4,293	3,799
25,350	25,400	3,806	3,806	4,307	3,806
25,400	25,450	3,814	3,814	4,321	3,814
25,450	25,500	3,821	3,821	4,335	3,821
25,500	25,550	3,829	3,829	4,349	3,829
25,550	25,600	3,836	3,836	4,363	3,836
25,600	25,650	3,844	3,844	4,377	3,844
25,650	25,700	3,851	3,851	4,391	3,851
25,700	25,750	3,859	3,859	4,405	3,859
25,750	25,800	3,870	3,866	4,419	3,866
25,800	25,850	3,884	3,874	4,433	3,874
25,850	25,900	3,898	3,881	4,447	3,881
25,900	25,950	3,912	3,889	4,461	3,889
25,950	26,000	3,926	3,896	4,475	3,896
26,000					
26,000	26,050	3,940	3,904	4,489	3,904
26,050	26,100	3,954	3,911	4,503	3,911
26,100	26,150	3,968	3,919	4,517	3,919
26,150	26,200	3,982	3,926	4,531	3,926
26,200	26,250	3,996	3,934	4,545	3,934
26,250	26,300	4,010	3,941	4,559	3,941
26,300	26,350	4,024	3,949	4,573	3,949
26,350	26,400	4,038	3,956	4,587	3,956
26,400	26,450	4,052	3,964	4,601	3,964
26,450	26,500	4,066	3,971	4,615	3,971
26,500	26,550	4,080	3,979	4,629	3,979
26,550	26,600	4,094	3,986	4,643	3,986
26,600	26,650	4,108	3,994	4,657	3,994
26,650	26,700	4,122	4,001	4,671	4,001
26,700	26,750	4,136	4,009	4,685	4,009
26,750	26,800	4,150	4,016	4,699	4,016
26,800	26,850	4,164	4,024	4,713	4,024
26,850	26,900	4,178	4,031	4,727	4,031
26,900	26,950	4,192	4,039	4,741	4,039
26,950	27,000	4,206	4,046	4,755	4,046
27,000					
27,000	27,050	4,220	4,054	4,769	4,054
27,050	27,100	4,234	4,061	4,783	4,061
27,100	27,150	4,248	4,069	4,797	4,069
27,150	27,200	4,262	4,076	4,811	4,076
27,200	27,250	4,276	4,084	4,825	4,084
27,250	27,300	4,290	4,091	4,839	4,091
27,300	27,350	4,304	4,099	4,853	4,099
27,350	27,400	4,318	4,106	4,867	4,106
27,400	27,450	4,332	4,114	4,881	4,114
27,450	27,500	4,346	4,121	4,895	4,121
27,500	27,550	4,360	4,129	4,909	4,129
27,550	27,600	4,374	4,136	4,923	4,136
27,600	27,650	4,388	4,144	4,937	4,144
27,650	27,700	4,402	4,151	4,951	4,151
27,700	27,750	4,416	4,159	4,965	4,159
27,750	27,800	4,430	4,166	4,979	4,166
27,800	27,850	4,444	4,174	4,993	4,174
27,850	27,900	4,458	4,181	5,007	4,181
27,900	27,950	4,472	4,189	5,021	4,189
27,950	28,000	4,486	4,196	5,035	4,196
28,000					
28,000	28,050	4,500	4,204	5,049	4,204
28,050	28,100	4,514	4,211	5,063	4,211
28,100	28,150	4,528	4,219	5,077	4,219
28,150	28,200	4,542	4,226	5,091	4,226
28,200	28,250	4,556	4,234	5,105	4,234
28,250	28,300	4,570	4,241	5,119	4,241
28,300	28,350	4,584	4,249	5,133	4,249
28,350	28,400	4,598	4,256	5,147	4,256
28,400	28,450	4,612	4,264	5,161	4,264
28,450	28,500	4,626	4,271	5,175	4,271
28,500	28,550	4,640	4,279	5,189	4,279
28,550	28,600	4,654	4,286	5,203	4,286
28,600	28,650	4,668	4,294	5,217	4,294
28,650	28,700	4,682	4,301	5,231	4,301
28,700	28,750	4,696	4,309	5,245	4,309
28,750	28,800	4,710	4,316	5,259	4,316
28,800	28,850	4,724	4,324	5,273	4,324
28,850	28,900	4,738	4,331	5,287	4,331
28,900	28,950	4,752	4,339	5,301	4,339
28,950	29,000	4,766	4,346	5,315	4,346
29,000					
29,000	29,050	4,780	4,354	5,329	4,354
29,050	29,100	4,794	4,361	5,343	4,361
29,100	29,150	4,808	4,369	5,357	4,369
29,150	29,200	4,822	4,376	5,371	4,376
29,200	29,250	4,836	4,384	5,385	4,384
29,250	29,300	4,850	4,391	5,399	4,391
29,300	29,350	4,864	4,399	5,413	4,399
29,350	29,400	4,878	4,406	5,427	4,406
29,400	29,450	4,892	4,414	5,441	4,414
29,450	29,500	4,906	4,421	5,455	4,421
29,500	29,550	4,920	4,429	5,469	4,429
29,550	29,600	4,934	4,436	5,483	4,436
29,600	29,650	4,948	4,444	5,497	4,444
29,650	29,700	4,962	4,451	5,511	4,451
29,700	29,750	4,976	4,459	5,525	4,459
29,750	29,800	4,990	4,466	5,539	4,466
29,800	29,850	5,004	4,474	5,553	4,474
29,850	29,900	5,018	4,481	5,567	4,481
29,900	29,950	5,032	4,489	5,581	4,489
29,950	30,000	5,046	4,496	5,595	4,496
30,000					
30,000	30,050	5,060	4,504	5,609	4,504
30,050	30,100	5,074	4,511	5,623	4,511
30,100	30,150	5,088	4,519	5,637	4,519
30,150	30,200	5,102	4,526	5,651	4,526
30,200	30,250	5,116	4,534	5,665	4,534
30,250	30,300	5,130	4,541	5,679	4,541
30,300	30,350	5,144	4,549	5,693	4,549
30,350	30,400	5,158	4,556	5,707	4,556
30,400	30,450	5,172	4,564	5,721	4,564
30,450	30,500	5,186	4,571	5,735	4,571
30,500	30,550	5,200	4,579	5,749	4,579
30,550	30,600	5,214	4,586	5,763	4,586
30,600	30,650	5,228	4,594	5,777	4,594
30,650	30,700	5,242	4,601	5,791	4,601
30,700	30,750	5,256	4,609	5,805	4,609
30,750	30,800	5,270	4,616	5,819	4,616
30,800	30,850	5,284	4,624	5,833	4,624
30,850	30,900	5,298	4,631	5,847	4,631
30,900	30,950	5,312	4,639	5,861	4,639
30,950	31,000	5,326	4,646	5,875	4,646
31,000					
31,000	31,050	5,340	4,654	5,889	4,654
31,050	31,100	5,354	4,661	5,903	4,661
31,100	31,150	5,368	4,669	5,917	4,669
31,150	31,200	5,382	4,676	5,931	4,676
31,200	31,250	5,396	4,684	5,945	4,684
31,250	31,300	5,410	4,691	5,959	4,691
31,300	31,350	5,424	4,699	5,973	4,699
31,350	31,400	5,438	4,706	5,987	4,706
31,400	31,450	5,452	4,714	6,001	4,714
31,450	31,500	5,466	4,721	6,015	4,721
31,500	31,550	5,480	4,729	6,029	4,729
31,550	31,600	5,494	4,736	6,043	4,736
31,600	31,650	5,508	4,744	6,057	4,744
31,650	31,700	5,522	4,751	6,071	4,751
31,700	31,750	5,536	4,759	6,085	4,759
31,750	31,800	5,550	4,766	6,099	4,766
31,800	31,850	5,564	4,774	6,113	4,774
31,850	31,900	5,578	4,781	6,127	4,781
31,900	31,950	5,592	4,789	6,141	4,789
31,950	32,000	5,606	4,796	6,155	4,796

* This column must also be used by a qualifying widow(er).

Continued on next page

1999 Tax Table—*Continued*

If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—				If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household	At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—						Your tax is—						Your tax is—			
32,000						**35,000**						**38,000**					
32,000	32,050	5,620	4,804	6,169	4,804	35,000	35,050	6,460	5,254	7,009	5,316	38,000	38,050	7,300	5,704	7,849	6,156
32,050	32,100	5,634	4,811	6,183	4,811	35,050	35,100	6,474	5,261	7,023	5,330	38,050	38,100	7,314	5,711	7,863	6,170
32,100	32,150	5,648	4,819	6,197	4,819	35,100	35,150	6,488	5,269	7,037	5,344	38,100	38,150	7,328	5,719	7,877	6,184
32,150	32,200	5,662	4,826	6,211	4,826	35,150	35,200	6,502	5,276	7,051	5,358	38,150	38,200	7,342	5,726	7,891	6,198
32,200	32,250	5,676	4,834	6,225	4,834	35,200	35,250	6,516	5,284	7,065	5,372	38,200	38,250	7,356	5,734	7,905	6,212
32,250	32,300	5,690	4,841	6,239	4,841	35,250	35,300	6,530	5,291	7,079	5,386	38,250	38,300	7,370	5,741	7,919	6,226
32,300	32,350	5,704	4,849	6,253	4,849	35,300	35,350	6,544	5,299	7,093	5,400	38,300	38,350	7,384	5,749	7,933	6,240
32,350	32,400	5,718	4,856	6,267	4,856	35,350	35,400	6,558	5,306	7,107	5,414	38,350	38,400	7,398	5,756	7,947	6,254
32,400	32,450	5,732	4,864	6,281	4,864	35,400	35,450	6,572	5,314	7,121	5,428	38,400	38,450	7,412	5,764	7,961	6,268
32,450	32,500	5,746	4,871	6,295	4,871	35,450	35,500	6,586	5,321	7,135	5,442	38,450	38,500	7,426	5,771	7,975	6,282
32,500	32,550	5,760	4,879	6,309	4,879	35,500	35,550	6,600	5,329	7,149	5,456	38,500	38,550	7,440	5,779	7,989	6,296
32,550	32,600	5,774	4,886	6,323	4,886	35,550	35,600	6,614	5,336	7,163	5,470	38,550	38,600	7,454	5,786	8,003	6,310
32,600	32,650	5,788	4,894	6,337	4,894	35,600	35,650	6,628	5,344	7,177	5,484	38,600	38,650	7,468	5,794	8,017	6,324
32,650	32,700	5,802	4,901	6,351	4,901	35,650	35,700	6,642	5,351	7,191	5,498	38,650	38,700	7,482	5,801	8,031	6,338
32,700	32,750	5,816	4,909	6,365	4,909	35,700	35,750	6,656	5,359	7,205	5,512	38,700	38,750	7,496	5,809	8,045	6,352
32,750	32,800	5,830	4,916	6,379	4,916	35,750	35,800	6,670	5,366	7,219	5,526	38,750	38,800	7,510	5,816	8,059	6,366
32,800	32,850	5,844	4,924	6,393	4,924	35,800	35,850	6,684	5,374	7,233	5,540	38,800	38,850	7,524	5,824	8,073	6,380
32,850	32,900	5,858	4,931	6,407	4,931	35,850	35,900	6,698	5,381	7,247	5,554	38,850	38,900	7,538	5,831	8,087	6,394
32,900	32,950	5,872	4,939	6,421	4,939	35,900	35,950	6,712	5,389	7,261	5,568	38,900	38,950	7,552	5,839	8,101	6,408
32,950	33,000	5,886	4,946	6,435	4,946	35,950	36,000	6,726	5,396	7,275	5,582	38,950	39,000	7,566	5,846	8,115	6,422
33,000						**36,000**						**39,000**					
33,000	33,050	5,900	4,954	6,449	4,954	36,000	36,050	6,740	5,404	7,289	5,596	39,000	39,050	7,580	5,854	8,129	6,436
33,050	33,100	5,914	4,961	6,463	4,961	36,050	36,100	6,754	5,411	7,303	5,610	39,050	39,100	7,594	5,861	8,143	6,450
33,100	33,150	5,928	4,969	6,477	4,969	36,100	36,150	6,768	5,419	7,317	5,624	39,100	39,150	7,608	5,869	8,157	6,464
33,150	33,200	5,942	4,976	6,491	4,976	36,150	36,200	6,782	5,426	7,331	5,638	39,150	39,200	7,622	5,876	8,171	6,478
33,200	33,250	5,956	4,984	6,505	4,984	36,200	36,250	6,796	5,434	7,345	5,652	39,200	39,250	7,636	5,884	8,185	6,492
33,250	33,300	5,970	4,991	6,519	4,991	36,250	36,300	6,810	5,441	7,359	5,666	39,250	39,300	7,650	5,891	8,199	6,506
33,300	33,350	5,984	4,999	6,533	4,999	36,300	36,350	6,824	5,449	7,373	5,680	39,300	39,350	7,664	5,899	8,213	6,520
33,350	33,400	5,998	5,006	6,547	5,006	36,350	36,400	6,838	5,456	7,387	5,694	39,350	39,400	7,678	5,906	8,227	6,534
33,400	33,450	6,012	5,014	6,561	5,014	36,400	36,450	6,852	5,464	7,401	5,708	39,400	39,450	7,692	5,914	8,241	6,548
33,450	33,500	6,026	5,021	6,575	5,021	36,450	36,500	6,866	5,471	7,415	5,722	39,450	39,500	7,706	5,921	8,255	6,562
33,500	33,550	6,040	5,029	6,589	5,029	36,500	36,550	6,880	5,479	7,429	5,736	39,500	39,550	7,720	5,929	8,269	6,576
33,550	33,600	6,054	5,036	6,603	5,036	36,550	36,600	6,894	5,486	7,443	5,750	39,550	39,600	7,734	5,936	8,283	6,590
33,600	33,650	6,068	5,044	6,617	5,044	36,600	36,650	6,908	5,494	7,457	5,764	39,600	39,650	7,748	5,944	8,297	6,604
33,650	33,700	6,082	5,051	6,631	5,051	36,650	36,700	6,922	5,501	7,471	5,778	39,650	39,700	7,762	5,951	8,311	6,618
33,700	33,750	6,096	5,059	6,645	5,059	36,700	36,750	6,936	5,509	7,485	5,792	39,700	39,750	7,776	5,959	8,325	6,632
33,750	33,800	6,110	5,066	6,659	5,066	36,750	36,800	6,950	5,516	7,499	5,806	39,750	39,800	7,790	5,966	8,339	6,646
33,800	33,850	6,124	5,074	6,673	5,074	36,800	36,850	6,964	5,524	7,513	5,820	39,800	39,850	7,804	5,974	8,353	6,660
33,850	33,900	6,138	5,081	6,687	5,081	36,850	36,900	6,978	5,531	7,527	5,834	39,850	39,900	7,818	5,981	8,367	6,674
33,900	33,950	6,152	5,089	6,701	5,089	36,900	36,950	6,992	5,539	7,541	5,848	39,900	39,950	7,832	5,989	8,381	6,688
33,950	34,000	6,166	5,096	6,715	5,096	36,950	37,000	7,006	5,546	7,555	5,862	39,950	40,000	7,846	5,996	8,395	6,702
34,000						**37,000**						**40,000**					
34,000	34,050	6,180	5,104	6,729	5,104	37,000	37,050	7,020	5,554	7,569	5,876	40,000	40,050	7,860	6,004	8,409	6,716
34,050	34,100	6,194	5,111	6,743	5,111	37,050	37,100	7,034	5,561	7,583	5,890	40,050	40,100	7,874	6,011	8,423	6,730
34,100	34,150	6,208	5,119	6,757	5,119	37,100	37,150	7,048	5,569	7,597	5,904	40,100	40,150	7,888	6,019	8,437	6,744
34,150	34,200	6,222	5,126	6,771	5,126	37,150	37,200	7,062	5,576	7,611	5,918	40,150	40,200	7,902	6,026	8,451	6,758
34,200	34,250	6,236	5,134	6,785	5,134	37,200	37,250	7,076	5,584	7,625	5,932	40,200	40,250	7,916	6,034	8,465	6,772
34,250	34,300	6,250	5,141	6,799	5,141	37,250	37,300	7,090	5,591	7,639	5,946	40,250	40,300	7,930	6,041	8,479	6,786
34,300	34,350	6,264	5,149	6,813	5,149	37,300	37,350	7,104	5,599	7,653	5,960	40,300	40,350	7,944	6,049	8,493	6,800
34,350	34,400	6,278	5,156	6,827	5,156	37,350	37,400	7,118	5,606	7,667	5,974	40,350	40,400	7,958	6,056	8,507	6,814
34,400	34,450	6,292	5,164	6,841	5,164	37,400	37,450	7,132	5,614	7,681	5,988	40,400	40,450	7,972	6,064	8,521	6,828
34,450	34,500	6,306	5,171	6,855	5,171	37,450	37,500	7,146	5,621	7,695	6,002	40,450	40,500	7,986	6,071	8,535	6,842
34,500	34,550	6,320	5,179	6,869	5,179	37,500	37,550	7,160	5,629	7,709	6,016	40,500	40,550	8,000	6,079	8,549	6,856
34,550	34,600	6,334	5,186	6,883	5,190	37,550	37,600	7,174	5,636	7,723	6,030	40,550	40,600	8,014	6,086	8,563	6,870
34,600	34,650	6,348	5,194	6,897	5,204	37,600	37,650	7,188	5,644	7,737	6,044	40,600	40,650	8,028	6,094	8,577	6,884
34,650	34,700	6,362	5,201	6,911	5,218	37,650	37,700	7,202	5,651	7,751	6,058	40,650	40,700	8,042	6,101	8,591	6,898
34,700	34,750	6,376	5,209	6,925	5,232	37,700	37,750	7,216	5,659	7,765	6,072	40,700	40,750	8,056	6,109	8,605	6,912
34,750	34,800	6,390	5,216	6,939	5,246	37,750	37,800	7,230	5,666	7,779	6,086	40,750	40,800	8,070	6,116	8,619	6,926
34,800	34,850	6,404	5,224	6,953	5,260	37,800	37,850	7,244	5,674	7,793	6,100	40,800	40,850	8,084	6,124	8,633	6,940
34,850	34,900	6,418	5,231	6,967	5,274	37,850	37,900	7,258	5,681	7,807	6,114	40,850	40,900	8,098	6,131	8,647	6,954
34,900	34,950	6,432	5,239	6,981	5,288	37,900	37,950	7,272	5,689	7,821	6,128	40,900	40,950	8,112	6,139	8,661	6,968
34,950	35,000	6,446	5,246	6,995	5,302	37,950	38,000	7,286	5,696	7,835	6,142	40,950	41,000	8,126	6,146	8,675	6,982

* This column must also be used by a qualifying widow(er).

Continued on next page

1999 Tax Table—*Continued*

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
41,000					
41,000	41,050	8,140	6,154	8,689	6,996
41,050	41,100	8,154	6,161	8,703	7,010
41,100	41,150	8,168	6,169	8,717	7,024
41,150	41,200	8,182	6,176	8,731	7,038
41,200	41,250	8,196	6,184	8,745	7,052
41,250	41,300	8,210	6,191	8,759	7,066
41,300	41,350	8,224	6,199	8,773	7,080
41,350	41,400	8,238	6,206	8,787	7,094
41,400	41,450	8,252	6,214	8,801	7,108
41,450	41,500	8,266	6,221	8,815	7,122
41,500	41,550	8,280	6,229	8,829	7,136
41,550	41,600	8,294	6,236	8,843	7,150
41,600	41,650	8,308	6,244	8,857	7,164
41,650	41,700	8,322	6,251	8,871	7,178
41,700	41,750	8,336	6,259	8,885	7,192
41,750	41,800	8,350	6,266	8,899	7,206
41,800	41,850	8,364	6,274	8,913	7,220
41,850	41,900	8,378	6,281	8,927	7,234
41,900	41,950	8,392	6,289	8,941	7,248
41,950	42,000	8,406	6,296	8,955	7,262
42,000					
42,000	42,050	8,420	6,304	8,969	7,276
42,050	42,100	8,434	6,311	8,983	7,290
42,100	42,150	8,448	6,319	8,997	7,304
42,150	42,200	8,462	6,326	9,011	7,318
42,200	42,250	8,476	6,334	9,025	7,332
42,250	42,300	8,490	6,341	9,039	7,346
42,300	42,350	8,504	6,349	9,053	7,360
42,350	42,400	8,518	6,356	9,067	7,374
42,400	42,450	8,532	6,364	9,081	7,388
42,450	42,500	8,546	6,371	9,095	7,402
42,500	42,550	8,560	6,379	9,109	7,416
42,550	42,600	8,574	6,386	9,123	7,430
42,600	42,650	8,588	6,394	9,137	7,444
42,650	42,700	8,602	6,401	9,151	7,458
42,700	42,750	8,616	6,409	9,165	7,472
42,750	42,800	8,630	6,416	9,179	7,486
42,800	42,850	8,644	6,424	9,193	7,500
42,850	42,900	8,658	6,431	9,207	7,514
42,900	42,950	8,672	6,439	9,221	7,528
42,950	43,000	8,686	6,446	9,235	7,542
43,000					
43,000	43,050	8,700	6,454	9,249	7,556
43,050	43,100	8,714	6,465	9,263	7,570
43,100	43,150	8,728	6,479	9,277	7,584
43,150	43,200	8,742	6,493	9,291	7,598
43,200	43,250	8,756	6,507	9,305	7,612
43,250	43,300	8,770	6,521	9,319	7,626
43,300	43,350	8,784	6,535	9,333	7,640
43,350	43,400	8,798	6,549	9,347	7,654
43,400	43,450	8,812	6,563	9,361	7,668
43,450	43,500	8,826	6,577	9,375	7,682
43,500	43,550	8,840	6,591	9,389	7,696
43,550	43,600	8,854	6,605	9,403	7,710
43,600	43,650	8,868	6,619	9,417	7,724
43,650	43,700	8,882	6,633	9,431	7,738
43,700	43,750	8,896	6,647	9,445	7,752
43,750	43,800	8,910	6,661	9,459	7,766
43,800	43,850	8,924	6,675	9,473	7,780
43,850	43,900	8,938	6,689	9,487	7,794
43,900	43,950	8,952	6,703	9,501	7,808
43,950	44,000	8,966	6,717	9,515	7,822
44,000					
44,000	44,050	8,980	6,731	9,529	7,836
44,050	44,100	8,994	6,745	9,543	7,850
44,100	44,150	9,008	6,759	9,557	7,864
44,150	44,200	9,022	6,773	9,571	7,878
44,200	44,250	9,036	6,787	9,585	7,892
44,250	44,300	9,050	6,801	9,599	7,906
44,300	44,350	9,064	6,815	9,613	7,920
44,350	44,400	9,078	6,829	9,627	7,934
44,400	44,450	9,092	6,843	9,641	7,948
44,450	44,500	9,106	6,857	9,655	7,962
44,500	44,550	9,120	6,871	9,669	7,976
44,550	44,600	9,134	6,885	9,683	7,990
44,600	44,650	9,148	6,899	9,697	8,004
44,650	44,700	9,162	6,913	9,711	8,018
44,700	44,750	9,176	6,927	9,725	8,032
44,750	44,800	9,190	6,941	9,739	8,046
44,800	44,850	9,204	6,955	9,753	8,060
44,850	44,900	9,218	6,969	9,767	8,074
44,900	44,950	9,232	6,983	9,781	8,088
44,950	45,000	9,246	6,997	9,795	8,102
45,000					
45,000	45,050	9,260	7,011	9,809	8,116
45,050	45,100	9,274	7,025	9,823	8,130
45,100	45,150	9,288	7,039	9,837	8,144
45,150	45,200	9,302	7,053	9,851	8,158
45,200	45,250	9,316	7,067	9,865	8,172
45,250	45,300	9,330	7,081	9,879	8,186
45,300	45,350	9,344	7,095	9,893	8,200
45,350	45,400	9,358	7,109	9,907	8,214
45,400	45,450	9,372	7,123	9,921	8,228
45,450	45,500	9,386	7,137	9,935	8,242
45,500	45,550	9,400	7,151	9,949	8,256
45,550	45,600	9,414	7,165	9,963	8,270
45,600	45,650	9,428	7,179	9,977	8,284
45,650	45,700	9,442	7,193	9,991	8,298
45,700	45,750	9,456	7,207	10,005	8,312
45,750	45,800	9,470	7,221	10,019	8,326
45,800	45,850	9,484	7,235	10,033	8,340
45,850	45,900	9,498	7,249	10,047	8,354
45,900	45,950	9,512	7,263	10,061	8,368
45,950	46,000	9,526	7,277	10,075	8,382
46,000					
46,000	46,050	9,540	7,291	10,089	8,396
46,050	46,100	9,554	7,305	10,103	8,410
46,100	46,150	9,568	7,319	10,117	8,424
46,150	46,200	9,582	7,333	10,131	8,438
46,200	46,250	9,596	7,347	10,145	8,452
46,250	46,300	9,610	7,361	10,159	8,466
46,300	46,350	9,624	7,375	10,173	8,480
46,350	46,400	9,638	7,389	10,187	8,494
46,400	46,450	9,652	7,403	10,201	8,508
46,450	46,500	9,666	7,417	10,215	8,522
46,500	46,550	9,680	7,431	10,229	8,536
46,550	46,600	9,694	7,445	10,243	8,550
46,600	46,650	9,708	7,459	10,257	8,564
46,650	46,700	9,722	7,473	10,271	8,578
46,700	46,750	9,736	7,487	10,285	8,592
46,750	46,800	9,750	7,501	10,299	8,606
46,800	46,850	9,764	7,515	10,313	8,620
46,850	46,900	9,778	7,529	10,327	8,634
46,900	46,950	9,792	7,543	10,341	8,648
46,950	47,000	9,806	7,557	10,355	8,662
47,000					
47,000	47,050	9,820	7,571	10,369	8,676
47,050	47,100	9,834	7,585	10,383	8,690
47,100	47,150	9,848	7,599	10,397	8,704
47,150	47,200	9,862	7,613	10,411	8,718
47,200	47,250	9,876	7,627	10,425	8,732
47,250	47,300	9,890	7,641	10,439	8,746
47,300	47,350	9,904	7,655	10,453	8,760
47,350	47,400	9,918	7,669	10,467	8,774
47,400	47,450	9,932	7,683	10,481	8,788
47,450	47,500	9,946	7,697	10,495	8,802
47,500	47,550	9,960	7,711	10,509	8,816
47,550	47,600	9,974	7,725	10,523	8,830
47,600	47,650	9,988	7,739	10,537	8,844
47,650	47,700	10,002	7,753	10,551	8,858
47,700	47,750	10,016	7,767	10,565	8,872
47,750	47,800	10,030	7,781	10,579	8,886
47,800	47,850	10,044	7,795	10,593	8,900
47,850	47,900	10,058	7,809	10,607	8,914
47,900	47,950	10,072	7,823	10,621	8,928
47,950	48,000	10,086	7,837	10,635	8,942
48,000					
48,000	48,050	10,100	7,851	10,649	8,956
48,050	48,100	10,114	7,865	10,663	8,970
48,100	48,150	10,128	7,879	10,677	8,984
48,150	48,200	10,142	7,893	10,691	8,998
48,200	48,250	10,156	7,907	10,705	9,012
48,250	48,300	10,170	7,921	10,719	9,026
48,300	48,350	10,184	7,935	10,733	9,040
48,350	48,400	10,198	7,949	10,747	9,054
48,400	48,450	10,212	7,963	10,761	9,068
48,450	48,500	10,226	7,977	10,775	9,082
48,500	48,550	10,240	7,991	10,789	9,096
48,550	48,600	10,254	8,005	10,803	9,110
48,600	48,650	10,268	8,019	10,817	9,124
48,650	48,700	10,282	8,033	10,831	9,138
48,700	48,750	10,296	8,047	10,845	9,152
48,750	48,800	10,310	8,061	10,859	9,166
48,800	48,850	10,324	8,075	10,873	9,180
48,850	48,900	10,338	8,089	10,887	9,194
48,900	48,950	10,352	8,103	10,901	9,208
48,950	49,000	10,366	8,117	10,915	9,222
49,000					
49,000	49,050	10,380	8,131	10,929	9,236
49,050	49,100	10,394	8,145	10,943	9,250
49,100	49,150	10,408	8,159	10,957	9,264
49,150	49,200	10,422	8,173	10,971	9,278
49,200	49,250	10,436	8,187	10,985	9,292
49,250	49,300	10,450	8,201	10,999	9,306
49,300	49,350	10,464	8,215	11,013	9,320
49,350	49,400	10,478	8,229	11,027	9,334
49,400	49,450	10,492	8,243	11,041	9,348
49,450	49,500	10,506	8,257	11,055	9,362
49,500	49,550	10,520	8,271	11,069	9,376
49,550	49,600	10,534	8,285	11,083	9,390
49,600	49,650	10,548	8,299	11,097	9,404
49,650	49,700	10,562	8,313	11,111	9,418
49,700	49,750	10,576	8,327	11,125	9,432
49,750	49,800	10,590	8,341	11,139	9,446
49,800	49,850	10,604	8,355	11,153	9,460
49,850	49,900	10,618	8,369	11,167	9,474
49,900	49,950	10,632	8,383	11,181	9,488
49,950	50,000	10,646	8,397	11,195	9,502

* This column must also be used by a qualifying widow(er).

Continued on next page

1999 Tax Table—*Continued*

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house-hold
		Your tax is—			
50,000					
50,000	50,050	10,660	8,411	11,209	9,516
50,050	50,100	10,674	8,425	11,223	9,530
50,100	50,150	10,688	8,439	11,237	9,544
50,150	50,200	10,702	8,453	11,251	9,558
50,200	50,250	10,716	8,467	11,265	9,572
50,250	50,300	10,730	8,481	11,279	9,586
50,300	50,350	10,744	8,495	11,293	9,600
50,350	50,400	10,758	8,509	11,307	9,614
50,400	50,450	10,772	8,523	11,321	9,628
50,450	50,500	10,786	8,537	11,335	9,642
50,500	50,550	10,800	8,551	11,349	9,656
50,550	50,600	10,814	8,565	11,363	9,670
50,600	50,650	10,828	8,579	11,377	9,684
50,650	50,700	10,842	8,593	11,391	9,698
50,700	50,750	10,856	8,607	11,405	9,712
50,750	50,800	10,870	8,621	11,419	9,726
50,800	50,850	10,884	8,635	11,433	9,740
50,850	50,900	10,898	8,649	11,447	9,754
50,900	50,950	10,912	8,663	11,461	9,768
50,950	51,000	10,926	8,677	11,475	9,782
51,000					
51,000	51,050	10,940	8,691	11,489	9,796
51,050	51,100	10,954	8,705	11,503	9,810
51,100	51,150	10,968	8,719	11,517	9,824
51,150	51,200	10,982	8,733	11,531	9,838
51,200	51,250	10,996	8,747	11,545	9,852
51,250	51,300	11,010	8,761	11,559	9,866
51,300	51,350	11,024	8,775	11,573	9,880
51,350	51,400	11,038	8,789	11,587	9,894
51,400	51,450	11,052	8,803	11,601	9,908
51,450	51,500	11,066	8,817	11,615	9,922
51,500	51,550	11,080	8,831	11,629	9,936
51,550	51,600	11,094	8,845	11,643	9,950
51,600	51,650	11,108	8,859	11,657	9,964
51,650	51,700	11,122	8,873	11,671	9,978
51,700	51,750	11,136	8,887	11,685	9,992
51,750	51,800	11,150	8,901	11,699	10,006
51,800	51,850	11,164	8,915	11,713	10,020
51,850	51,900	11,178	8,929	11,727	10,034
51,900	51,950	11,192	8,943	11,741	10,048
51,950	52,000	11,206	8,957	11,755	10,062
52,000					
52,000	52,050	11,220	8,971	11,769	10,076
52,050	52,100	11,234	8,985	11,784	10,090
52,100	52,150	11,248	8,999	11,800	10,104
52,150	52,200	11,262	9,013	11,815	10,118
52,200	52,250	11,276	9,027	11,831	10,132
52,250	52,300	11,290	9,041	11,846	10,146
52,300	52,350	11,304	9,055	11,862	10,160
52,350	52,400	11,318	9,069	11,877	10,174
52,400	52,450	11,332	9,083	11,893	10,188
52,450	52,500	11,346	9,097	11,908	10,202
52,500	52,550	11,360	9,111	11,924	10,216
52,550	52,600	11,374	9,125	11,939	10,230
52,600	52,650	11,388	9,139	11,955	10,244
52,650	52,700	11,402	9,153	11,970	10,258
52,700	52,750	11,416	9,167	11,986	10,272
52,750	52,800	11,430	9,181	12,001	10,286
52,800	52,850	11,444	9,195	12,017	10,300
52,850	52,900	11,458	9,209	12,032	10,314
52,900	52,950	11,472	9,223	12,048	10,328
52,950	53,000	11,486	9,237	12,063	10,342

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house-hold
		Your tax is—			
53,000					
53,000	53,050	11,500	9,251	12,079	10,356
53,050	53,100	11,514	9,265	12,094	10,370
53,100	53,150	11,528	9,279	12,110	10,384
53,150	53,200	11,542	9,293	12,125	10,398
53,200	53,250	11,556	9,307	12,141	10,412
53,250	53,300	11,570	9,321	12,156	10,426
53,300	53,350	11,584	9,335	12,172	10,440
53,350	53,400	11,598	9,349	12,187	10,454
53,400	53,450	11,612	9,363	12,203	10,468
53,450	53,500	11,626	9,377	12,218	10,482
53,500	53,550	11,640	9,391	12,234	10,496
53,550	53,600	11,654	9,405	12,249	10,510
53,600	53,650	11,668	9,419	12,265	10,524
53,650	53,700	11,682	9,433	12,280	10,538
53,700	53,750	11,696	9,447	12,296	10,552
53,750	53,800	11,710	9,461	12,311	10,566
53,800	53,850	11,724	9,475	12,327	10,580
53,850	53,900	11,738	9,489	12,342	10,594
53,900	53,950	11,752	9,503	12,358	10,608
53,950	54,000	11,766	9,517	12,373	10,622
54,000					
54,000	54,050	11,780	9,531	12,389	10,636
54,050	54,100	11,794	9,545	12,404	10,650
54,100	54,150	11,808	9,559	12,420	10,664
54,150	54,200	11,822	9,573	12,435	10,678
54,200	54,250	11,836	9,587	12,451	10,692
54,250	54,300	11,850	9,601	12,466	10,706
54,300	54,350	11,864	9,615	12,482	10,720
54,350	54,400	11,878	9,629	12,497	10,734
54,400	54,450	11,892	9,643	12,513	10,748
54,450	54,500	11,906	9,657	12,528	10,762
54,500	54,550	11,920	9,671	12,544	10,776
54,550	54,600	11,934	9,685	12,559	10,790
54,600	54,650	11,948	9,699	12,575	10,804
54,650	54,700	11,962	9,713	12,590	10,818
54,700	54,750	11,976	9,727	12,606	10,832
54,750	54,800	11,990	9,741	12,621	10,846
54,800	54,850	12,004	9,755	12,637	10,860
54,850	54,900	12,018	9,769	12,652	10,874
54,900	54,950	12,032	9,783	12,668	10,888
54,950	55,000	12,046	9,797	12,683	10,902
55,000					
55,000	55,050	12,060	9,811	12,699	10,916
55,050	55,100	12,074	9,825	12,714	10,930
55,100	55,150	12,088	9,839	12,730	10,944
55,150	55,200	12,102	9,853	12,745	10,958
55,200	55,250	12,116	9,867	12,761	10,972
55,250	55,300	12,130	9,881	12,776	10,986
55,300	55,350	12,144	9,895	12,792	11,000
55,350	55,400	12,158	9,909	12,807	11,014
55,400	55,450	12,172	9,923	12,823	11,028
55,450	55,500	12,186	9,937	12,838	11,042
55,500	55,550	12,200	9,951	12,854	11,056
55,550	55,600	12,214	9,965	12,869	11,070
55,600	55,650	12,228	9,979	12,885	11,084
55,650	55,700	12,242	9,993	12,900	11,098
55,700	55,750	12,256	10,007	12,916	11,112
55,750	55,800	12,270	10,021	12,931	11,126
55,800	55,850	12,284	10,035	12,947	11,140
55,850	55,900	12,298	10,049	12,962	11,154
55,900	55,950	12,312	10,063	12,978	11,168
55,950	56,000	12,326	10,077	12,993	11,182

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house-hold
		Your tax is—			
56,000					
56,000	56,050	12,340	10,091	13,009	11,196
56,050	56,100	12,354	10,105	13,024	11,210
56,100	56,150	12,368	10,119	13,040	11,224
56,150	56,200	12,382	10,133	13,055	11,238
56,200	56,250	12,396	10,147	13,071	11,252
56,250	56,300	12,410	10,161	13,086	11,266
56,300	56,350	12,424	10,175	13,102	11,280
56,350	56,400	12,438	10,189	13,117	11,294
56,400	56,450	12,452	10,203	13,133	11,308
56,450	56,500	12,466	10,217	13,148	11,322
56,500	56,550	12,480	10,231	13,164	11,336
56,550	56,600	12,494	10,245	13,179	11,350
56,600	56,650	12,508	10,259	13,195	11,364
56,650	56,700	12,522	10,273	13,210	11,378
56,700	56,750	12,536	10,287	13,226	11,392
56,750	56,800	12,550	10,301	13,241	11,406
56,800	56,850	12,564	10,315	13,257	11,420
56,850	56,900	12,578	10,329	13,272	11,434
56,900	56,950	12,592	10,343	13,288	11,448
56,950	57,000	12,606	10,357	13,303	11,462
57,000					
57,000	57,050	12,620	10,371	13,319	11,476
57,050	57,100	12,634	10,385	13,334	11,490
57,100	57,150	12,648	10,399	13,350	11,504
57,150	57,200	12,662	10,413	13,365	11,518
57,200	57,250	12,676	10,427	13,381	11,532
57,250	57,300	12,690	10,441	13,396	11,546
57,300	57,350	12,704	10,455	13,412	11,560
57,350	57,400	12,718	10,469	13,427	11,574
57,400	57,450	12,732	10,483	13,443	11,588
57,450	57,500	12,746	10,497	13,458	11,602
57,500	57,550	12,760	10,511	13,474	11,616
57,550	57,600	12,774	10,525	13,489	11,630
57,600	57,650	12,788	10,539	13,505	11,644
57,650	57,700	12,802	10,553	13,520	11,658
57,700	57,750	12,816	10,567	13,536	11,672
57,750	57,800	12,830	10,581	13,551	11,686
57,800	57,850	12,844	10,595	13,567	11,700
57,850	57,900	12,858	10,609	13,582	11,714
57,900	57,950	12,872	10,623	13,598	11,728
57,950	58,000	12,886	10,637	13,613	11,742
58,000					
58,000	58,050	12,900	10,651	13,629	11,756
58,050	58,100	12,914	10,665	13,644	11,770
58,100	58,150	12,928	10,679	13,660	11,784
58,150	58,200	12,942	10,693	13,675	11,798
58,200	58,250	12,956	10,707	13,691	11,812
58,250	58,300	12,970	10,721	13,706	11,826
58,300	58,350	12,984	10,735	13,722	11,840
58,350	58,400	12,998	10,749	13,737	11,854
58,400	58,450	13,012	10,763	13,753	11,868
58,450	58,500	13,026	10,777	13,768	11,882
58,500	58,550	13,040	10,791	13,784	11,896
58,550	58,600	13,054	10,805	13,799	11,910
58,600	58,650	13,068	10,819	13,815	11,924
58,650	58,700	13,082	10,833	13,830	11,938
58,700	58,750	13,096	10,847	13,846	11,952
58,750	58,800	13,110	10,861	13,861	11,966
58,800	58,850	13,124	10,875	13,877	11,980
58,850	58,900	13,138	10,889	13,892	11,994
58,900	58,950	13,152	10,903	13,908	12,008
58,950	59,000	13,166	10,917	13,923	12,022

* This column must also be used by a qualifying widow(er).

Continued on next page

1999 Tax Table—*Continued*

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house-hold
		Your tax is—			
59,000					
59,000	59,050	13,180	10,931	13,939	12,036
59,050	59,100	13,194	10,945	13,954	12,050
59,100	59,150	13,208	10,959	13,970	12,064
59,150	59,200	13,222	10,973	13,985	12,078
59,200	59,250	13,236	10,987	14,001	12,092
59,250	59,300	13,250	11,001	14,016	12,106
59,300	59,350	13,264	11,015	14,032	12,120
59,350	59,400	13,278	11,029	14,047	12,134
59,400	59,450	13,292	11,043	14,063	12,148
59,450	59,500	13,306	11,057	14,078	12,162
59,500	59,550	13,320	11,071	14,094	12,176
59,550	59,600	13,334	11,085	14,109	12,190
59,600	59,650	13,348	11,099	14,125	12,204
59,650	59,700	13,362	11,113	14,140	12,218
59,700	59,750	13,376	11,127	14,156	12,232
59,750	59,800	13,390	11,141	14,171	12,246
59,800	59,850	13,404	11,155	14,187	12,260
59,850	59,900	13,418	11,169	14,202	12,274
59,900	59,950	13,432	11,183	14,218	12,288
59,950	60,000	13,446	11,197	14,233	12,302
60,000					
60,000	60,050	13,460	11,211	14,249	12,316
60,050	60,100	13,474	11,225	14,264	12,330
60,100	60,150	13,488	11,239	14,280	12,344
60,150	60,200	13,502	11,253	14,295	12,358
60,200	60,250	13,516	11,267	14,311	12,372
60,250	60,300	13,530	11,281	14,326	12,386
60,300	60,350	13,544	11,295	14,342	12,400
60,350	60,400	13,558	11,309	14,357	12,414
60,400	60,450	13,572	11,323	14,373	12,428
60,450	60,500	13,586	11,337	14,388	12,442
60,500	60,550	13,600	11,351	14,404	12,456
60,550	60,600	13,614	11,365	14,419	12,470
60,600	60,650	13,628	11,379	14,435	12,484
60,650	60,700	13,642	11,393	14,450	12,498
60,700	60,750	13,656	11,407	14,466	12,512
60,750	60,800	13,670	11,421	14,481	12,526
60,800	60,850	13,684	11,435	14,497	12,540
60,850	60,900	13,698	11,449	14,512	12,554
60,900	60,950	13,712	11,463	14,528	12,568
60,950	61,000	13,726	11,477	14,543	12,582
61.000					
61,000	61,050	13,740	11,491	14,559	12,596
61,050	61,100	13,754	11,505	14,574	12,610
61,100	61,150	13,768	11,519	14,590	12,624
61,150	61,200	13,782	11,533	14,605	12,638
61,200	61,250	13,796	11,547	14,621	12,652
61,250	61,300	13,810	11,561	14,636	12,666
61,300	61,350	13,824	11,575	14,652	12,680
61,350	61,400	13,838	11,589	14,667	12,694
61,400	61,450	13,852	11,603	14,683	12,708
61,450	61,500	13,866	11,617	14,698	12,722
61,500	61,550	13,880	11,631	14,714	12,736
61,550	61,600	13,894	11,645	14,729	12,750
61,600	61,650	13,908	11,659	14,745	12,764
61,650	61,700	13,922	11,673	14,760	12,778
61,700	61,750	13,936	11,687	14,776	12,792
61,750	61,800	13,950	11,701	14,791	12,806
61,800	61,850	13,964	11,715	14,807	12,820
61,850	61,900	13,978	11,729	14,822	12,834
61,900	61,950	13,992	11,743	14,838	12,848
61,950	62,000	14,006	11,757	14,853	12,862
62,000					
62,000	62,050	14,020	11,771	14,869	12,876
62,050	62,100	14,034	11,785	14,884	12,890
62,100	62,150	14,048	11,799	14,900	12,904
62,150	62,200	14,062	11,813	14,915	12,918
62,200	62,250	14,076	11,827	14,931	12,932
62,250	62,300	14,090	11,841	14,946	12,946
62,300	62,350	14,104	11,855	14,962	12,960
62,350	62,400	14,118	11,869	14,977	12,974
62,400	62,450	14,132	11,883	14,993	12,988
62,450	62,500	14,146	11,897	15,008	13,002
62,500	62,550	14,162	11,911	15,024	13,016
62,550	62,600	14,177	11,925	15,039	13,030
62,600	62,650	14,193	11,939	15,055	13,044
62,650	62,700	14,208	11,953	15,070	13,058
62,700	62,750	14,224	11,967	15,086	13,072
62,750	62,800	14,239	11,981	15,101	13,086
62,800	62,850	14,255	11,995	15,117	13,100
62,850	62,900	14,270	12,009	15,132	13,114
62,900	62,950	14,286	12,023	15,148	13,128
62,950	63,000	14,301	12,037	15,163	13,142
63,000					
63,000	63,050	14,317	12,051	15,179	13,156
63,050	63,100	14,332	12,065	15,194	13,170
63,100	63,150	14,348	12,079	15,210	13,184
63,150	63,200	14,363	12,093	15,225	13,198
63,200	63,250	14,379	12,107	15,241	13,212
63,250	63,300	14,394	12,121	15,256	13,226
63,300	63,350	14,410	12,135	15,272	13,240
63,350	63,400	14,425	12,149	15,287	13,254
63,400	63,450	14,441	12,163	15,303	13,268
63,450	63,500	14,456	12,177	15,318	13,282
63,500	63,550	14,472	12,191	15,334	13,296
63,550	63,600	14,487	12,205	15,349	13,310
63,600	63,650	14,503	12,219	15,365	13,324
63,650	63,700	14,518	12,233	15,380	13,338
63,700	63,750	14,534	12,247	15,396	13,352
63,750	63,800	14,549	12,261	15,411	13,366
63,800	63,850	14,565	12,275	15,427	13,380
63,850	63,900	14,580	12,289	15,442	13,394
63,900	63,950	14,596	12,303	15,458	13,408
63,950	64,000	14,611	12,317	15,473	13,422
64,000					
64,000	64,050	14,627	12,331	15,489	13,436
64,050	64,100	14,642	12,345	15,504	13,450
64,100	64,150	14,658	12,359	15,520	13,464
64,150	64,200	14,673	12,373	15,535	13,478
64,200	64,250	14,689	12,387	15,551	13,492
64,250	64,300	14,704	12,401	15,566	13,506
64,300	64,350	14,720	12,415	15,582	13,520
64,350	64,400	14,735	12,429	15,597	13,534
64,400	64,450	14,751	12,443	15,613	13,548
64,450	64,500	14,766	12,457	15,628	13,562
64,500	64,550	14,782	12,471	15,644	13,576
64,550	64,600	14,797	12,485	15,659	13,590
64,600	64,650	14,813	12,499	15,675	13,604
64,650	64,700	14,828	12,513	15,690	13,618
64,700	64,750	14,844	12,527	15,706	13,632
64,750	64,800	14,859	12,541	15,721	13,646
64,800	64,850	14,875	12,555	15,737	13,660
64,850	64,900	14,890	12,569	15,752	13,674
64,900	64,950	14,906	12,583	15,768	13,688
64,950	65,000	14,921	12,597	15,783	13,702
65,000					
65,000	65,050	14,937	12,611	15,799	13,716
65,050	65,100	14,952	12,625	15,814	13,730
65,100	65,150	14,968	12,639	15,830	13,744
65,150	65,200	14,983	12,653	15,845	13,758
65,200	65,250	14,999	12,667	15,861	13,772
65,250	65,300	15,014	12,681	15,876	13,786
65,300	65,350	15,030	12,695	15,892	13,800
65,350	65,400	15,045	12,709	15,907	13,814
65,400	65,450	15,061	12,723	15,923	13,828
65,450	65,500	15,076	12,737	15,938	13,842
65,500	65,550	15,092	12,751	15,954	13,856
65,550	65,600	15,107	12,765	15,969	13,870
65,600	65,650	15,123	12,779	15,985	13,884
65,650	65,700	15,138	12,793	16,000	13,898
65,700	65,750	15,154	12,807	16,016	13,912
65,750	65,800	15,169	12,821	16,031	13,926
65,800	65,850	15,185	12,835	16,047	13,940
65,850	65,900	15,200	12,849	16,062	13,954
65,900	65,950	15,216	12,863	16,078	13,968
65,950	66,000	15,231	12,877	16,093	13,982
66,000					
66,000	66,050	15,247	12,891	16,109	13,996
66,050	66,100	15,262	12,905	16,124	14,010
66,100	66,150	15,278	12,919	16,140	14,024
66,150	66,200	15,293	12,933	16,155	14,038
66,200	66,250	15,309	12,947	16,171	14,052
66,250	66,300	15,324	12,961	16,186	14,066
66,300	66,350	15,340	12,975	16,202	14,080
66,350	66,400	15,355	12,989	16,217	14,094
66,400	66,450	15,371	13,003	16,233	14,108
66,450	66,500	15,386	13,017	16,248	14,122
66,500	66,550	15,402	13,031	16,264	14,136
66,550	66,600	15,417	13,045	16,279	14,150
66,600	66,650	15,433	13,059	16,295	14,164
66,650	66,700	15,448	13,073	16,310	14,178
66,700	66,750	15,464	13,087	16,326	14,192
66,750	66,800	15,479	13,101	16,341	14,206
66,800	66,850	15,495	13,115	16,357	14,220
66,850	66,900	15,510	13,129	16,372	14,234
66,900	66,950	15,526	13,143	16,388	14,248
66,950	67,000	15,541	13,157	16,403	14,262
67,000					
67,000	67,050	15,557	13,171	16,419	14,276
67,050	67,100	15,572	13,185	16,434	14,290
67,100	67,150	15,588	13,199	16,450	14,304
67,150	67,200	15,603	13,213	16,465	14,318
67,200	67,250	15,619	13,227	16,481	14,332
67,250	67,300	15,634	13,241	16,496	14,346
67,300	67,350	15,650	13,255	16,512	14,360
67,350	67,400	15,665	13,269	16,527	14,374
67,400	67,450	15,681	13,283	16,543	14,388
67,450	67,500	15,696	13,297	16,558	14,402
67,500	67,550	15,712	13,311	16,574	14,416
67,550	67,600	15,727	13,325	16,589	14,430
67,600	67,650	15,743	13,339	16,605	14,444
67,650	67,700	15,758	13,353	16,620	14,458
67,700	67,750	15,774	13,367	16,635	14,472
67,750	67,800	15,789	13,381	16,651	14,486
67,800	67,850	15,805	13,395	16,667	14,500
67,850	67,900	15,820	13,409	16,682	14,514
67,900	67,950	15,836	13,423	16,698	14,528
67,950	68,000	15,851	13,437	16,713	14,542

* This column must also be used by a qualifying widow(er).

Continued on next page

1999 Tax Table—*Continued*

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
68,000					
68,000	68,050	15,867	13,451	16,729	14,556
68,050	68,100	15,882	13,465	16,744	14,570
68,100	68,150	15,898	13,479	16,760	14,584
68,150	68,200	15,913	13,493	16,775	14,598
68,200	68,250	15,929	13,507	16,791	14,612
68,250	68,300	15,944	13,521	16,806	14,626
68,300	68,350	15,960	13,535	16,822	14,640
68,350	68,400	15,975	13,549	16,837	14,654
68,400	68,450	15,991	13,563	16,853	14,668
68,450	68,500	16,006	13,577	16,868	14,682
68,500	68,550	16,022	13,591	16,884	14,696
68,550	68,600	16,037	13,605	16,899	14,710
68,600	68,650	16,053	13,619	16,915	14,724
68,650	68,700	16,068	13,633	16,930	14,738
68,700	68,750	16,084	13,647	16,946	14,752
68,750	68,800	16,099	13,661	16,961	14,766
68,800	68,850	16,115	13,675	16,977	14,780
68,850	68,900	16,130	13,689	16,992	14,794
68,900	68,950	16,146	13,703	17,008	14,808
68,950	69,000	16,161	13,717	17,023	14,822
69,000					
69,000	69,050	16,177	13,731	17,039	14,836
69,050	69,100	16,192	13,745	17,054	14,850
69,100	69,150	16,208	13,759	17,070	14,864
69,150	69,200	16,223	13,773	17,085	14,878
69,200	69,250	16,239	13,787	17,101	14,892
69,250	69,300	16,254	13,801	17,116	14,906
69,300	69,350	16,270	13,815	17,132	14,920
69,350	69,400	16,285	13,829	17,147	14,934
69,400	69,450	16,301	13,843	17,163	14,948
69,450	69,500	16,316	13,857	17,178	14,962
69,500	69,550	16,332	13,871	17,194	14,976
69,550	69,600	16,347	13,885	17,209	14,990
69,600	69,650	16,363	13,899	17,225	15,004
69,650	69,700	16,378	13,913	17,240	15,018
69,700	69,750	16,394	13,927	17,256	15,032
69,750	69,800	16,409	13,941	17,271	15,046
69,800	69,850	16,425	13,955	17,287	15,060
69,850	69,900	16,440	13,969	17,302	15,074
69,900	69,950	16,456	13,983	17,318	15,088
69,950	70,000	16,471	13,997	17,333	15,102
70,000					
70,000	70,050	16,487	14,011	17,349	15,116
70,050	70,100	16,502	14,025	17,364	15,130
70,100	70,150	16,518	14,039	17,380	15,144
70,150	70,200	16,533	14,053	17,395	15,158
70,200	70,250	16,549	14,067	17,411	15,172
70,250	70,300	16,564	14,081	17,426	15,186
70,300	70,350	16,580	14,095	17,442	15,200
70,350	70,400	16,595	14,109	17,457	15,214
70,400	70,450	16,611	14,123	17,473	15,228
70,450	70,500	16,626	14,137	17,488	15,242
70,500	70,550	16,642	14,151	17,504	15,256
70,550	70,600	16,657	14,165	17,519	15,270
70,600	70,650	16,673	14,179	17,535	15,284
70,650	70,700	16,688	14,193	17,550	15,298
70,700	70,750	16,704	14,207	17,566	15,312
70,750	70,800	16,719	14,221	17,581	15,326
70,800	70,850	16,735	14,235	17,597	15,340
70,850	70,900	16,750	14,249	17,612	15,354
70,900	70,950	16,766	14,263	17,628	15,368
70,950	71,000	16,781	14,277	17,643	15,382
71,000					
71,000	71,050	16,797	14,291	17,659	15,396
71,050	71,100	16,812	14,305	17,674	15,410
71,100	71,150	16,828	14,319	17,690	15,424
71,150	71,200	16,843	14,333	17,705	15,438
71,200	71,250	16,859	14,347	17,721	15,452
71,250	71,300	16,874	14,361	17,736	15,466
71,300	71,350	16,890	14,375	17,752	15,480
71,350	71,400	16,905	14,389	17,767	15,494
71,400	71,450	16,921	14,403	17,783	15,508
71,450	71,500	16,936	14,417	17,798	15,522
71,500	71,550	16,952	14,431	17,814	15,536
71,550	71,600	16,967	14,445	17,829	15,550
71,600	71,650	16,983	14,459	17,845	15,564
71,650	71,700	16,998	14,473	17,860	15,578
71,700	71,750	17,014	14,487	17,876	15,592
71,750	71,800	17,029	14,501	17,891	15,606
71,800	71,850	17,045	14,515	17,907	15,620
71,850	71,900	17,060	14,529	17,922	15,634
71,900	71,950	17,076	14,543	17,938	15,648
71,950	72,000	17,091	14,557	17,953	15,662
72,000					
72,000	72,050	17,107	14,571	17,969	15,676
72,050	72,100	17,122	14,585	17,984	15,690
72,100	72,150	17,138	14,599	18,000	15,704
72,150	72,200	17,153	14,613	18,015	15,718
72,200	72,250	17,169	14,627	18,031	15,732
72,250	72,300	17,184	14,641	18,046	15,746
72,300	72,350	17,200	14,655	18,062	15,760
72,350	72,400	17,215	14,669	18,077	15,774
72,400	72,450	17,231	14,683	18,093	15,788
72,450	72,500	17,246	14,697	18,108	15,802
72,500	72,550	17,262	14,711	18,124	15,816
72,550	72,600	17,277	14,725	18,139	15,830
72,600	72,650	17,293	14,739	18,155	15,844
72,650	72,700	17,308	14,753	18,170	15,858
72,700	72,750	17,324	14,767	18,186	15,872
72,750	72,800	17,339	14,781	18,201	15,886
72,800	72,850	17,355	14,795	18,217	15,900
72,850	72,900	17,370	14,809	18,232	15,914
72,900	72,950	17,386	14,823	18,248	15,928
72,950	73,000	17,401	14,837	18,263	15,942
73,000					
73,000	73,050	17,417	14,851	18,279	15,956
73,050	73,100	17,432	14,865	18,294	15,970
73,100	73,150	17,448	14,879	18,310	15,984
73,150	73,200	17,463	14,893	18,325	15,998
73,200	73,250	17,479	14,907	18,341	16,012
73,250	73,300	17,494	14,921	18,356	16,026
73,300	73,350	17,510	14,935	18,372	16,040
73,350	73,400	17,525	14,949	18,387	16,054
73,400	73,450	17,541	14,963	18,403	16,068
73,450	73,500	17,556	14,977	18,418	16,082
73,500	73,550	17,572	14,991	18,434	16,096
73,550	73,600	17,587	15,005	18,449	16,110
73,600	73,650	17,603	15,019	18,465	16,124
73,650	73,700	17,618	15,033	18,480	16,138
73,700	73,750	17,634	15,047	18,496	16,152
73,750	73,800	17,649	15,061	18,511	16,166
73,800	73,850	17,665	15,075	18,527	16,180
73,850	73,900	17,680	15,089	18,542	16,194
73,900	73,950	17,696	15,103	18,558	16,208
73,950	74,000	17,711	15,117	18,573	16,222
74,000					
74,000	74,050	17,727	15,131	18,589	16,236
74,050	74,100	17,742	15,145	18,604	16,250
74,100	74,150	17,758	15,159	18,620	16,264
74,150	74,200	17,773	15,173	18,635	16,278
74,200	74,250	17,789	15,187	18,651	16,292
74,250	74,300	17,804	15,201	18,666	16,306
74,300	74,350	17,820	15,215	18,682	16,320
74,350	74,400	17,835	15,229	18,697	16,334
74,400	74,450	17,851	15,243	18,713	16,348
74,450	74,500	17,866	15,257	18,728	16,362
74,500	74,550	17,882	15,271	18,744	16,376
74,550	74,600	17,897	15,285	18,759	16,390
74,600	74,650	17,913	15,299	18,775	16,404
74,650	74,700	17,928	15,313	18,790	16,418
74,700	74,750	17,944	15,327	18,806	16,432
74,750	74,800	17,959	15,341	18,821	16,446
74,800	74,850	17,975	15,355	18,837	16,460
74,850	74,900	17,990	15,369	18,852	16,474
74,900	74,950	18,006	15,383	18,868	16,488
74,950	75,000	18,021	15,397	18,883	16,502
75,000					
75,000	75,050	18,037	15,411	18,899	16,516
75,050	75,100	18,052	15,425	18,914	16,530
75,100	75,150	18,068	15,439	18,930	16,544
75,150	75,200	18,083	15,453	18,945	16,558
75,200	75,250	18,099	15,467	18,961	16,572
75,250	75,300	18,114	15,481	18,976	16,586
75,300	75,350	18,130	15,495	18,992	16,600
75,350	75,400	18,145	15,509	19,007	16,614
75,400	75,450	18,161	15,523	19,023	16,628
75,450	75,500	18,176	15,537	19,038	16,642
75,500	75,550	18,192	15,551	19,054	16,656
75,550	75,600	18,207	15,565	19,069	16,670
75,600	75,650	18,223	15,579	19,085	16,684
75,650	75,700	18,238	15,593	19,100	16,698
75,700	75,750	18,254	15,607	19,116	16,712
75,750	75,800	18,269	15,621	19,131	16,726
75,800	75,850	18,285	15,635	19,147	16,740
75,850	75,900	18,300	15,649	19,162	16,754
75,900	75,950	18,316	15,663	19,178	16,768
75,950	76,000	18,331	15,677	19,193	16,782
76,000					
76,000	76,050	18,347	15,691	19,209	16,796
76,050	76,100	18,362	15,705	19,224	16,810
76,100	76,150	18,378	15,719	19,240	16,824
76,150	76,200	18,393	15,733	19,255	16,838
76,200	76,250	18,409	15,747	19,271	16,852
76,250	76,300	18,424	15,761	19,286	16,866
76,300	76,350	18,440	15,775	19,302	16,880
76,350	76,400	18,455	15,789	19,317	16,894
76,400	76,450	18,471	15,803	19,333	16,908
76,450	76,500	18,486	15,817	19,348	16,922
76,500	76,550	18,502	15,831	19,364	16,936
76,550	76,600	18,517	15,845	19,379	16,950
76,600	76,650	18,533	15,859	19,395	16,964
76,650	76,700	18,548	15,873	19,410	16,978
76,700	76,750	18,564	15,887	19,426	16,992
76,750	76,800	18,579	15,901	19,441	17,006
76,800	76,850	18,595	15,915	19,457	17,020
76,850	76,900	18,610	15,929	19,472	17,034
76,900	76,950	18,626	15,943	19,488	17,048
76,950	77,000	18,641	15,957	19,503	17,062

* This column must also be used by a qualifying widow(er)

Continued on next page

1999 Tax Table—*Continued*

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing separately	Head of a household
		Your tax is—			
77,000					
77,000	77,050	18,657	15,971	19,519	17,076
77,050	77,100	18,672	15,985	19,534	17,090
77,100	77,150	18,688	15,999	19,550	17,104
77,150	77,200	18,703	16,013	19,565	17,118
77,200	77,250	18,719	16,027	19,581	17,132
77,250	77,300	18,734	16,041	19,596	17,146
77,300	77,350	18,750	16,055	19,612	17,160
77,350	77,400	18,765	16,069	19,627	17,174
77,400	77,450	18,781	16,083	19,643	17,188
77,450	77,500	18,796	16,097	19,658	17,202
77,500	77,550	18,812	16,111	19,674	17,216
77,550	77,600	18,827	16,125	19,689	17,230
77,600	77,650	18,843	16,139	19,705	17,244
77,650	77,700	18,858	16,153	19,720	17,258
77,700	77,750	18,874	16,167	19,736	17,272
77,750	77,800	18,889	16,181	19,751	17,286
77,800	77,850	18,905	16,195	19,767	17,300
77,850	77,900	18,920	16,209	19,782	17,314
77,900	77,950	18,936	16,223	19,798	17,328
77,950	78,000	18,951	16,237	19,813	17,342
78,000					
78,000	78,050	18,967	16,251	19,829	17,356
78,050	78,100	18,982	16,265	19,844	17,370
78,100	78,150	18,998	16,279	19,860	17,384
78,150	78,200	19,013	16,293	19,875	17,398
78,200	78,250	19,029	16,307	19,891	17,412
78,250	78,300	19,044	16,321	19,906	17,426
78,300	78,350	19,060	16,335	19,922	17,440
78,350	78,400	19,075	16,349	19,937	17,454
78,400	78,450	19,091	16,363	19,953	17,468
78,450	78,500	19,106	16,377	19,968	17,482
78,500	78,550	19,122	16,391	19,984	17,496
78,550	78,600	19,137	16,405	19,999	17,510
78,600	78,650	19,153	16,419	20,015	17,524
78,650	78,700	19,168	16,433	20,030	17,538
78,700	78,750	19,184	16,447	20,046	17,552
78,750	78,800	19,199	16,461	20,061	17,566
78,800	78,850	19,215	16,475	20,077	17,580
78,850	78,900	19,230	16,489	20,092	17,594
78,900	78,950	19,246	16,503	20,108	17,608
78,950	79,000	19,261	16,517	20,123	17,622
79,000					
79,000	79,050	19,277	16,531	20,139	17,636
79,050	79,100	19,292	16,545	20,154	17,650
79,100	79,150	19,308	16,559	20,170	17,664
79,150	79,200	19,323	16,573	20,185	17,678
79,200	79,250	19,339	16,587	20,201	17,692
79,250	79,300	19,354	16,601	20,216	17,706
79,300	79,350	19,370	16,615	20,234	17,720
79,350	79,400	19,385	16,629	20,252	17,734
79,400	79,450	19,401	16,643	20,270	17,748
79,450	79,500	19,416	16,657	20,288	17,762
79,500	79,550	19,432	16,671	20,306	17,776
79,550	79,600	19,447	16,685	20,324	17,790
79,600	79,650	19,463	16,699	20,342	17,804
79,650	79,700	19,478	16,713	20,360	17,818
79,700	79,750	19,494	16,727	20,378	17,832
79,750	79,800	19,509	16,741	20,396	17,846
79,800	79,850	19,525	16,755	20,414	17,860
79,850	79,900	19,540	16,769	20,432	17,874
79,900	79,950	19,556	16,783	20,450	17,888
79,950	80,000	19,571	16,797	20,468	17,902
80,000					
80,000	80,050	19,587	16,811	20,486	17,916
80,050	80,100	19,602	16,825	20,504	17,930
80,100	80,150	19,618	16,839	20,522	17,944
80,150	80,200	19,633	16,853	20,540	17,958
80,200	80,250	19,649	16,867	20,558	17,972
80,250	80,300	19,664	16,881	20,576	17,986
80,300	80,350	19,680	16,895	20,594	18,000
80,350	80,400	19,695	16,909	20,612	18,014
80,400	80,450	19,711	16,923	20,630	18,028
80,450	80,500	19,726	16,937	20,648	18,042
80,500	80,550	19,742	16,951	20,666	18,056
80,550	80,600	19,757	16,965	20,684	18,070
80,600	80,650	19,773	16,979	20,702	18,084
80,650	80,700	19,788	16,993	20,720	18,098
80,700	80,750	19,804	17,007	20,738	18,112
80,750	80,800	19,819	17,021	20,756	18,126
80,800	80,850	19,835	17,035	20,774	18,140
80,850	80,900	19,850	17,049	20,792	18,154
80,900	80,950	19,866	17,063	20,810	18,168
80,950	81,000	19,881	17,077	20,828	18,182
81,000					
81,000	81,050	19,897	17,091	20,846	18,196
81,050	81,100	19,912	17,105	20,864	18,210
81,100	81,150	19,928	17,119	20,882	18,224
81,150	81,200	19,943	17,133	20,900	18,238
81,200	81,250	19,959	17,147	20,918	18,252
81,250	81,300	19,974	17,161	20,936	18,266
81,300	81,350	19,990	17,175	20,954	18,280
81,350	81,400	20,005	17,189	20,972	18,294
81,400	81,450	20,021	17,203	20,990	18,308
81,450	81,500	20,036	17,217	21,008	18,322
81,500	81,550	20,052	17,231	21,026	18,336
81,550	81,600	20,067	17,245	21,044	18,350
81,600	81,650	20,083	17,259	21,062	18,364
81,650	81,700	20,098	17,273	21,080	18,378
81,700	81,750	20,114	17,287	21,098	18,392
81,750	81,800	20,129	17,301	21,116	18,406
81,800	81,850	20,145	17,315	21,134	18,420
81,850	81,900	20,160	17,329	21,152	18,434
81,900	81,950	20,176	17,343	21,170	18,448
81,950	82,000	20,191	17,357	21,188	18,462
82,000					
82,000	82,050	20,207	17,371	21,206	18,476
82,050	82,100	20,222	17,385	21,224	18,490
82,100	82,150	20,238	17,399	21,242	18,504
82,150	82,200	20,253	17,413	21,260	18,518
82,200	82,250	20,269	17,427	21,278	18,532
82,250	82,300	20,284	17,441	21,296	18,546
82,300	82,350	20,300	17,455	21,314	18,560
82,350	82,400	20,315	17,469	21,332	18,574
82,400	82,450	20,331	17,483	21,350	18,588
82,450	82,500	20,346	17,497	21,368	18,602
82,500	82,550	20,362	17,511	21,386	18,616
82,550	82,600	20,377	17,525	21,404	18,630
82,600	82,650	20,393	17,539	21,422	18,644
82,650	82,700	20,408	17,553	21,440	18,658
82,700	82,750	20,424	17,567	21,458	18,672
82,750	82,800	20,439	17,581	21,476	18,686
82,800	82,850	20,455	17,595	21,494	18,700
82,850	82,900	20,470	17,609	21,512	18,714
82,900	82,950	20,486	17,623	21,530	18,728
82,950	83,000	20,501	17,637	21,548	18,742
83,000					
83,000	83,050	20,517	17,651	21,566	18,756
83,050	83,100	20,532	17,665	21,584	18,770
83,100	83,150	20,548	17,679	21,602	18,784
83,150	83,200	20,563	17,693	21,620	18,798
83,200	83,250	20,579	17,707	21,638	18,812
83,250	83,300	20,594	17,721	21,656	18,826
83,300	83,350	20,610	17,735	21,674	18,840
83,350	83,400	20,625	17,749	21,692	18,854
83,400	83,450	20,641	17,763	21,710	18,868
83,450	83,500	20,656	17,777	21,728	18,882
83,500	83,550	20,672	17,791	21,746	18,896
83,550	83,600	20,687	17,805	21,764	18,910
83,600	83,650	20,703	17,819	21,782	18,924
83,650	83,700	20,718	17,833	21,800	18,938
83,700	83,750	20,734	17,847	21,818	18,952
83,750	83,800	20,749	17,861	21,836	18,966
83,800	83,850	20,765	17,875	21,854	18,980
83,850	83,900	20,780	17,889	21,872	18,994
83,900	83,950	20,796	17,903	21,890	19,008
83,950	84,000	20,811	17,917	21,908	19,022
84,000					
84,000	84,050	20,827	17,931	21,926	19,036
84,050	84,100	20,842	17,945	21,944	19,050
84,100	84,150	20,858	17,959	21,962	19,064
84,150	84,200	20,873	17,973	21,980	19,078
84,200	84,250	20,889	17,987	21,998	19,092
84,250	84,300	20,904	18,001	22,016	19,106
84,300	84,350	20,920	18,015	22,034	19,120
84,350	84,400	20,935	18,029	22,052	19,134
84,400	84,450	20,951	18,043	22,070	19,148
84,450	84,500	20,966	18,057	22,088	19,162
84,500	84,550	20,982	18,071	22,106	19,176
84,550	84,600	20,997	18,085	22,124	19,190
84,600	84,650	21,013	18,099	22,142	19,204
84,650	84,700	21,028	18,113	22,160	19,218
84,700	84,750	21,044	18,127	22,178	19,232
84,750	84,800	21,059	18,141	22,196	19,246
84,800	84,850	21,075	18,155	22,214	19,260
84,850	84,900	21,090	18,169	22,232	19,274
84,900	84,950	21,106	18,183	22,250	19,288
84,950	85,000	21,121	18,197	22,268	19,302
85,000					
85,000	85,050	21,137	18,211	22,286	19,316
85,050	85,100	21,152	18,225	22,304	19,330
85,100	85,150	21,168	18,239	22,322	19,344
85,150	85,200	21,183	18,253	22,340	19,358
85,200	85,250	21,199	18,267	22,358	19,372
85,250	85,300	21,214	18,281	22,376	19,386
85,300	85,350	21,230	18,295	22,394	19,400
85,350	85,400	21,245	18,309	22,412	19,414
85,400	85,450	21,261	18,323	22,430	19,428
85,450	85,500	21,276	18,337	22,448	19,442
85,500	85,550	21,292	18,351	22,466	19,456
85,550	85,600	21,307	18,365	22,484	19,470
85,600	85,650	21,323	18,379	22,502	19,484
85,650	85,700	21,338	18,393	22,520	19,498
85,700	85,750	21,354	18,407	22,538	19,512
85,750	85,800	21,369	18,421	22,556	19,526
85,800	85,850	21,385	18,435	22,574	19,540
85,850	85,900	21,400	18,449	22,592	19,554
85,900	85,950	21,416	18,463	22,610	19,568
85,950	86,000	21,431	18,477	22,628	19,582

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* This column must also be used by a qualifying widow(er)

Continued on next page

1999 Tax Table—*Continued*

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house-hold
		Your tax is—			
86,000					
86,000	**86,050**	21,447	18,491	22,646	19,596
86,050	**86,100**	21,462	18,505	22,664	19,610
86,100	**86,150**	21,478	18,519	22,682	19,624
86,150	**86,200**	21,493	18,533	22,700	19,638
86,200	**86,250**	21,509	18,547	22,718	19,652
86,250	**86,300**	21,524	18,561	22,736	19,666
86,300	**86,350**	21,540	18,575	22,754	19,680
86,350	**86,400**	21,555	18,589	22,772	19,694
86,400	**86,450**	21,571	18,603	22,790	19,708
86,450	**86,500**	21,586	18,617	22,808	19,722
86,500	**86,550**	21,602	18,631	22,826	19,736
86,550	**86,600**	21,617	18,645	22,844	19,750
86,600	**86,650**	21,633	18,659	22,862	19,764
86,650	**86,700**	21,648	18,673	22,880	19,778
86,700	**86,750**	21,664	18,687	22,898	19,792
86,750	**86,800**	21,679	18,701	22,916	19,806
86,800	**86,850**	21,695	18,715	22,934	19,820
86,850	**86,900**	21,710	18,729	22,952	19,834
86,900	**86,950**	21,726	18,743	22,970	19,848
86,950	**87,000**	21,741	18,757	22,988	19,862
87,000					
87,000	**87,050**	21,757	18,771	23,006	19,876
87,050	**87,100**	21,772	18,785	23,024	19,890
87,100	**87,150**	21,788	18,799	23,042	19,904
87,150	**87,200**	21,803	18,813	23,060	19,918
87,200	**87,250**	21,819	18,827	23,078	19,932
87,250	**87,300**	21,834	18,841	23,096	19,946
87,300	**87,350**	21,850	18,855	23,114	19,960
87,350	**87,400**	21,865	18,869	23,132	19,974
87,400	**87,450**	21,881	18,883	23,150	19,988
87,450	**87,500**	21,896	18,897	23,168	20,002
87,500	**87,550**	21,912	18,911	23,186	20,016
87,550	**87,600**	21,927	18,925	23,204	20,030
87,600	**87,650**	21,943	18,939	23,222	20,044
87,650	**87,700**	21,958	18,953	23,240	20,058
87,700	**87,750**	21,974	18,967	23,258	20,072
87,750	**87,800**	21,989	18,981	23,276	20,086
87,800	**87,850**	22,005	18,995	23,294	20,100
87,850	**87,900**	22,020	19,009	23,312	20,114
87,900	**87,950**	22,036	19,023	23,330	20,128
87,950	**88,000**	22,051	19,037	23,348	20,142
88,000					
88,000	**88,050**	22,067	19,051	23,366	20,156
88,050	**88,100**	22,082	19,065	23,384	20,170
88,100	**88,150**	22,098	19,079	23,402	20,184
88,150	**88,200**	22,113	19,093	23,420	20,198
88,200	**88,250**	22,129	19,107	23,438	20,212
88,250	**88,300**	22,144	19,121	23,456	20,226
88,300	**88,350**	22,160	19,135	23,474	20,240
88,350	**88,400**	22,175	19,149	23,492	20,254
88,400	**88,450**	22,191	19,163	23,510	20,268
88,450	**88,500**	22,206	19,177	23,528	20,282
88,500	**88,550**	22,222	19,191	23,546	20,296
88,550	**88,600**	22,237	19,205	23,564	20,310
88,600	**88,650**	22,253	19,219	23,582	20,324
88,650	**88,700**	22,268	19,233	23,600	20,338
88,700	**88,750**	22,284	19,247	23,618	20,352
88,750	**88,800**	22,299	19,261	23,636	20,366
88,800	**88,850**	22,315	19,275	23,654	20,380
88,850	**88,900**	22,330	19,289	23,672	20,394
88,900	**88,950**	22,346	19,303	23,690	20,408
88,950	**89,000**	22,361	19,317	23,708	20,422
89,000					
89,000	**89,050**	22,377	19,331	23,726	20,436
89,050	**89,100**	22,392	19,345	23,744	20,450
89,100	**89,150**	22,408	19,359	23,762	20,464
89,150	**89,200**	22,423	19,373	23,780	20,478
89,200	**89,250**	22,439	19,387	23,798	20,494
89,250	**89,300**	22,454	19,401	23,816	20,509
89,300	**89,350**	22,470	19,415	23,834	20,525
89,350	**89,400**	22,485	19,429	23,852	20,540
89,400	**89,450**	22,501	19,443	23,870	20,556
89,450	**89,500**	22,516	19,457	23,888	20,571
89,500	**89,550**	22,532	19,471	23,906	20,587
89,550	**89,600**	22,547	19,485	23,924	20,602
89,600	**89,650**	22,563	19,499	23,942	20,618
89,650	**89,700**	22,578	19,513	23,960	20,633
89,700	**89,750**	22,594	19,527	23,978	20,649
89,750	**89,800**	22,609	19,541	23,996	20,664
89,800	**89,850**	22,625	19,555	24,014	20,680
89,850	**89,900**	22,640	19,569	24,032	20,695
89,900	**89,950**	22,656	19,583	24,050	20,711
89,950	**90,000**	22,671	19,597	24,068	20,726
90,000					
90,000	**90,050**	22,687	19,611	24,086	20,742
90,050	**90,100**	22,702	19,625	24,104	20,757
90,100	**90,150**	22,718	19,639	24,122	20,773
90,150	**90,200**	22,733	19,653	24,140	20,788
90,200	**90,250**	22,749	19,667	24,158	20,804
90,250	**90,300**	22,764	19,681	24,176	20,819
90,300	**90,350**	22,780	19,695	24,194	20,835
90,350	**90,400**	22,795	19,709	24,212	20,850
90,400	**90,450**	22,811	19,723	24,230	20,866
90,450	**90,500**	22,826	19,737	24,248	20,881
90,500	**90,550**	22,842	19,751	24,266	20,897
90,550	**90,600**	22,857	19,765	24,284	20,912
90,600	**90,650**	22,873	19,779	24,302	20,928
90,650	**90,700**	22,888	19,793	24,320	20,943
90,700	**90,750**	22,904	19,807	24,338	20,959
90,750	**90,800**	22,919	19,821	24,356	20,974
90,800	**90,850**	22,935	19,835	24,374	20,990
90,850	**90,900**	22,950	19,849	24,392	21,005
90,900	**90,950**	22,966	19,863	24,410	21,021
90,950	**91,000**	22,981	19,877	24,428	21,036
91,000					
91,000	**91,050**	22,997	19,891	24,446	21,052
91,050	**91,100**	23,012	19,905	24,464	21,067
91,100	**91,150**	23,028	19,919	24,482	21,083
91,150	**91,200**	23,043	19,933	24,500	21,098
91,200	**91,250**	23,059	19,947	24,518	21,114
91,250	**91,300**	23,074	19,961	24,536	21,129
91,300	**91,350**	23,090	19,975	24,554	21,145
91,350	**91,400**	23,105	19,989	24,572	21,160
91,400	**91,450**	23,121	20,003	24,590	21,176
91,450	**91,500**	23,136	20,017	24,608	21,191
91,500	**91,550**	23,152	20,031	24,626	21,207
91,550	**91,600**	23,167	20,045	24,644	21,222
91,600	**91,650**	23,183	20,059	24,662	21,238
91,650	**91,700**	23,198	20,073	24,680	21,253
91,700	**91,750**	23,214	20,087	24,698	21,269
91,750	**91,800**	23,229	20,101	24,716	21,284
91,800	**91,850**	23,245	20,115	24,734	21,300
91,850	**91,900**	23,260	20,129	24,752	21,315
91,900	**91,950**	23,276	20,143	24,770	21,331
91,950	**92,000**	23,291	20,157	24,788	21,346
92,000					
92,000	**92,050**	23,307	20,171	24,806	21,362
92,050	**92,100**	23,322	20,185	24,824	21,377
92,100	**92,150**	23,338	20,199	24,842	21,393
92,150	**92,200**	23,353	20,213	24,860	21,408
92,200	**92,250**	23,369	20,227	24,878	21,424
92,250	**92,300**	23,384	20,241	24,896	21,439
92,300	**92,350**	23,400	20,255	24,914	21,455
92,350	**92,400**	23,415	20,269	24,932	21,470
92,400	**92,450**	23,431	20,283	24,950	21,486
92,450	**92,500**	23,446	20,297	24,968	21,501
92,500	**92,550**	23,462	20,311	24,986	21,517
92,550	**92,600**	23,477	20,325	25,004	21,532
92,600	**92,650**	23,493	20,339	25,022	21,548
92,650	**92,700**	23,508	20,353	25,040	21,563
92,700	**92,750**	23,524	20,367	25,058	21,579
92,750	**92,800**	23,539	20,381	25,076	21,594
92,800	**92,850**	23,555	20,395	25,094	21,610
92,850	**92,900**	23,570	20,409	25,112	21,625
92,900	**92,950**	23,586	20,423	25,130	21,641
92,950	**93,000**	23,601	20,437	25,148	21,656
93,000					
93,000	**93,050**	23,617	20,451	25,166	21,672
93,050	**93,100**	23,632	20,465	25,184	21,687
93,100	**93,150**	23,648	20,479	25,202	21,703
93,150	**93,200**	23,663	20,493	25,220	21,718
93,200	**93,250**	23,679	20,507	25,238	21,734
93,250	**93,300**	23,694	20,521	25,256	21,749
93,300	**93,350**	23,710	20,535	25,274	21,765
93,350	**93,400**	23,725	20,549	25,292	21,780
93,400	**93,450**	23,741	20,563	25,310	21,796
93,450	**93,500**	23,756	20,577	25,328	21,811
93,500	**93,550**	23,772	20,591	25,346	21,827
93,550	**93,600**	23,787	20,605	25,364	21,842
93,600	**93,650**	23,803	20,619	25,382	21,858
93,650	**93,700**	23,818	20,633	25,400	21,873
93,700	**93,750**	23,834	20,647	25,418	21,889
93,750	**93,800**	23,849	20,661	25,436	21,904
93,800	**93,850**	23,865	20,675	25,454	21,920
93,850	**93,900**	23,880	20,689	25,472	21,935
93,900	**93,950**	23,896	20,703	25,490	21,951
93,950	**94,000**	23,911	20,717	25,508	21,966
94,000					
94,000	**94,050**	23,927	20,731	25,526	21,982
94,050	**94,100**	23,942	20,745	25,544	21,997
94,100	**94,150**	23,958	20,759	25,562	22,013
94,150	**94,200**	23,973	20,773	25,580	22,028
94,200	**94,250**	23,989	20,787	25,598	22,044
94,250	**94,300**	24,004	20,801	25,616	22,059
94,300	**94,350**	24,020	20,815	25,634	22,075
94,350	**94,400**	24,035	20,829	25,652	22,090
94,400	**94,450**	24,051	20,843	25,670	22,106
94,450	**94,500**	24,066	20,857	25,688	22,121
94,500	**94,550**	24,082	20,871	25,706	22,137
94,550	**94,600**	24,097	20,885	25,724	22,152
94,600	**94,650**	24,113	20,899	25,742	22,168
94,650	**94,700**	24,128	20,913	25,760	22,183
94,700	**94,750**	24,144	20,927	25,778	22,199
94,750	**94,800**	24,159	20,941	25,796	22,214
94,800	**94,850**	24,175	20,955	25,814	22,230
94,850	**94,900**	24,190	20,969	25,832	22,245
94,900	**94,950**	24,206	20,983	25,850	22,261
94,950	**95,000**	24,221	20,997	25,868	22,276

* This column must also be used by a qualifying widow(er).

Continued on next page

1999 Tax Table—*Continued*

If line 39 (taxable income) is—		And you are—			
At least	But less than	Single	Married filing jointly *	Married filing sepa-rately	Head of a house-hold
		Your tax is—			
95,000					
95,000	**95,050**	24,237	21,011	25,886	22,292
95,050	**95,100**	24,252	21,025	25,904	22,307
95,100	**95,150**	24,268	21,039	25,922	22,323
95,150	**95,200**	24,283	21,053	25,940	22,338
95,200	**95,250**	24,299	21,067	25,958	22,354
95,250	**95,300**	24,314	21,081	25,976	22,369
95,300	**95,350**	24,330	21,095	25,994	22,385
95,350	**95,400**	24,345	21,109	26,012	22,400
95,400	**95,450**	24,361	21,123	26,030	22,416
95,450	**95,500**	24,376	21,137	26,048	22,431
95,500	**95,550**	24,392	21,151	26,066	22,447
95,550	**95,600**	24,407	21,165	26,084	22,462
95,600	**95,650**	24,423	21,179	26,102	22,478
95,650	**95,700**	24,438	21,193	26,120	22,493
95,700	**95,750**	24,454	21,207	26,138	22,509
95,750	**95,800**	24,469	21,221	26,156	22,524
95,800	**95,850**	24,485	21,235	26,174	22,540
95,850	**95,900**	24,500	21,249	26,192	22,555
95,900	**95,950**	24,516	21,263	26,210	22,571
95,950	**96,000**	24,531	21,277	26,228	22,586
96,000					
96,000	**96,050**	24,547	21,291	26,246	22,602
96,050	**96,100**	24,562	21,305	26,264	22,617
96,100	**96,150**	24,578	21,319	26,282	22,633
96,150	**96,200**	24,593	21,333	26,300	22,648
96,200	**96,250**	24,609	21,347	26,318	22,664
96,250	**96,300**	24,624	21,361	26,336	22,679
96,300	**96,350**	24,640	21,375	26,354	22,695
96,350	**96,400**	24,655	21,389	26,372	22,710
96,400	**96,450**	24,671	21,403	26,390	22,726
96,450	**96,500**	24,686	21,417	26,408	22,741
96,500	**96,550**	24,702	21,431	26,426	22,757
96,550	**96,600**	24,717	21,445	26,444	22,772
96,600	**96,650**	24,733	21,459	26,462	22,788
96,650	**96,700**	24,748	21,473	26,480	22,803
96,700	**96,750**	24,764	21,487	26,498	22,819
96,750	**96,800**	24,779	21,501	26,516	22,834
96,800	**96,850**	24,795	21,515	26,534	22,850
96,850	**96,900**	24,810	21,529	26,552	22,865
96,900	**96,950**	24,826	21,543	26,570	22,881
96,950	**97,000**	24,841	21,557	26,588	22,896
97,000					
97,000	**97,050**	24,857	21,571	26,606	22,912
97,050	**97,100**	24,872	21,585	26,624	22,927
97,100	**97,150**	24,888	21,599	26,642	22,943
97,150	**97,200**	24,903	21,613	26,660	22,958
97,200	**97,250**	24,919	21,627	26,678	22,974
97,250	**97,300**	24,934	21,641	26,696	22,989
97,300	**97,350**	24,950	21,655	26,714	23,005
97,350	**97,400**	24,965	21,669	26,732	23,020
97,400	**97,450**	24,981	21,683	26,750	23,036
97,450	**97,500**	24,996	21,697	26,768	23,051
97,500	**97,550**	25,012	21,711	26,786	23,067
97,550	**97,600**	25,027	21,725	26,804	23,082
97,600	**97,650**	25,043	21,739	26,822	23,098
97,650	**97,700**	25,058	21,753	26,840	23,113
97,700	**97,750**	25,074	21,767	26,858	23,129
97,750	**97,800**	25,089	21,781	26,876	23,144
97,800	**97,850**	25,105	21,795	26,894	23,160
97,850	**97,900**	25,120	21,809	26,912	23,175
97,900	**97,950**	25,136	21,823	26,930	23,191
97,850	**98,000**	25,151	21,837	26,948	23,206
98,000					
98,000	**98,050**	25,167	21,851	26,966	23,222
98,050	**98,100**	25,182	21,865	26,984	23,237
98,100	**98,150**	25,198	21,879	27,002	23,253
98,150	**98,200**	25,213	21,893	27,020	23,268
98,200	**98,250**	25,229	21,907	27,038	23,284
98,250	**98,300**	25,244	21,921	27,056	23,299
98,300	**98,350**	25,260	21,935	27,074	23,315
98,350	**98,400**	25,275	21,949	27,092	23,330
98,400	**98,450**	25,291	21,963	27,110	23,346
98,450	**98,500**	25,306	21,977	27,128	23,361
98,500	**98,550**	25,322	21,991	27,146	23,377
98,550	**98,600**	25,337	22,005	27,164	23,392
98,600	**98,650**	25,353	22,019	27,182	23,408
98,650	**98,700**	25,368	22,033	27,200	23,423
98,700	**98,750**	25,384	22,047	27,218	23,439
98,750	**98,800**	25,399	22,061	27,236	23,454
98,800	**98,850**	25,415	22,075	27,254	23,470
98,850	**98,900**	25,430	22,089	27,272	23,485
98,900	**98,950**	25,446	22,103	27,290	23,501
98,950	**99,000**	25,461	22,117	27,308	23,516
99,000					
99,000	**99,050**	25,477	22,131	27,326	23,532
99,050	**99,100**	25,492	22,145	27,344	23,547
99,100	**99,150**	25,508	22,159	27,362	23,563
99,150	**99,200**	25,523	22,173	27,380	23,578
99,200	**99,250**	25,539	22,187	27,398	23,594
99,250	**99,300**	25,554	22,201	27,416	23,609
99,300	**99,350**	25,570	22,215	27,434	23,625
99,350	**99,400**	25,585	22,229	27,452	23,640
99,400	**99,450**	25,601	22,243	27,470	23,656
99,450	**99,500**	25,616	22,257	27,488	23,671
99,500	**99,550**	25,632	22,271	27,506	23,687
99,550	**99,600**	25,647	22,285	27,524	23,702
99,600	**99,650**	25,663	22,299	27,542	23,718
99,650	**99,700**	25,678	22,313	27,560	23,733
99,700	**99,750**	25,694	22,327	27,578	23,749
99,750	**99,800**	25,709	22,341	27,596	23,764
99,800	**99,850**	25,725	22,355	27,614	23,780
99,850	**99,900**	25,740	22,369	27,632	23,795
99,900	**99,950**	25,756	22,383	27,650	23,811
99,950	**100,000**	25,771	22,397	27,668	23,826

$100,000
or over —
use the
Tax Rate
Schedules
on page 69

* This column must also be used by a qualifying widow(er).

1999
Tax Rate Schedules

CAUTION **Use only** if your taxable income (Form 1040, line 39) is $100,000 or more. If less, use the **Tax Table.** Even though you cannot use the Tax Rate Schedules below if your taxable income is less than $100,000, all levels of taxable income are shown so taxpayers can see the tax rate that applies to each level.

Schedule X—Use if your filing status is **Single**

If the amount on Form 1040, line 39, is: *Over—*	*But not over—*	Enter on Form 1040, line 40	*of the amount over—*
$0	$25,750	.... 15%	$0
25,750	62,450	$3,862.50 + 28%	25,750
62,450	130,250	14,138.50 + 31%	62,450
130,250	283,150	35,156.50 + 36%	130,250
283,150	....	90,200.50 + 39.6%	283,150

Schedule Y-1—Use if your filing status is **Married filing jointly** or **Qualifying widow(er)**

If the amount on Form 1040, line 39, is: *Over—*	*But not over—*	Enter on Form 1040, line 40	*of the amount over—*
$0	$43,050	.... 15%	$0
43,050	104,050	$6,457.50 + 28%	43,050
104,050	158,550	23,537.50 + 31%	104,050
158,550	283,150	40,432.50 + 36%	158,550
283,150	....	85,288.50 + 39.6%	283,150

Schedule Y-2—Use if your filing status is **Married filing separately**

If the amount on Form 1040, line 39, is: *Over—*	*But not over—*	Enter on Form 1040, line 40	*of the amount over—*
$0	$21,525	.... 15%	$0
21,525	52,025	$3,228.75 + 28%	21,525
52,025	79,275	11,768.75 + 31%	52,025
79,275	141,575	20,216.25 + 36%	79,275
141,575	....	42,644.25 + 39.6%	141,575

Schedule Z—Use if your filing status is **Head of household**

If the amount on Form 1040, line 39, is: *Over—*	*But not over—*	Enter on Form 1040, line 40	*of the amount over—*
$0	$34,550	.... 15%	$0
34,550	89,150	$5,182.50 + 28%	34,550
89,150	144,400	20,470.50 + 31%	89,150
144,400	283,150	37,598.00 + 36%	144,400
283,150	....	87,548.00 + 39.6%	283,150

Figures, Worksheets and Completed IRS Forms

Appendix C

Economics of Taxation—Intermediate Course

Activity 2

Why Resources Are Shifted	Government Services Provided by Shifted Resources
• *to enforce laws and contracts*	• *highways and schools*
• *to protect people and property*	• *national defense*
• *to keep economy healthy*	• *police/fire protection*
• *to provide goods and services*	• *public parks*
	• *corrections facilities*
	• *transportation systems*

Economics of Taxation—Intermediate Course

Activity 2

Why Resources Are Shifted	Government Services Provided by Shifted Resources

Economics of Taxation—Advanced Course

Activity 2 Worksheet

Type of Tax	Situation	Proportional, Progressive or Regressive Tax?	Is Tax Based on Benefits Received? Yes or No?	Is Tax Based on Ability to Pay? Yes or No?
Property 10% of the value of house and land	**A.** Julia is employed full time and earns $65,000. She owns her home, valued at $140,000, and a vacation home in another state valued at $120,000.	Proportional	No	No
	B. Harry and Mildred are 76 and 78 years old. Their only income is Social Security. They own their home, valued at $120,000.	Regressive	No	No
Annual Boat License 5% of value of boats 0-17 feet long 12% of value of boats 18-35 feet long	**A.** The Coles have an annual income of $47,000. They own a 30-foot boat given to them by an uncle.	Progressive	No	No
	B. Maria owns a 16-foot power boat. Her annual income is $56,000.	Regressive	No	No
Airport Excise All passengers landing at a specific airport are charged a fee of 15%	**A.** Linda is traveling on business. Her roundtrip ticket cost $685. Her annual income is $78,000.	Regressive	Yes	No
	B. Louis's and Sam's discount airline tickets for their vacation trip cost $250 each. Their combined annual income is $92,000.	Regressive	Yes	No

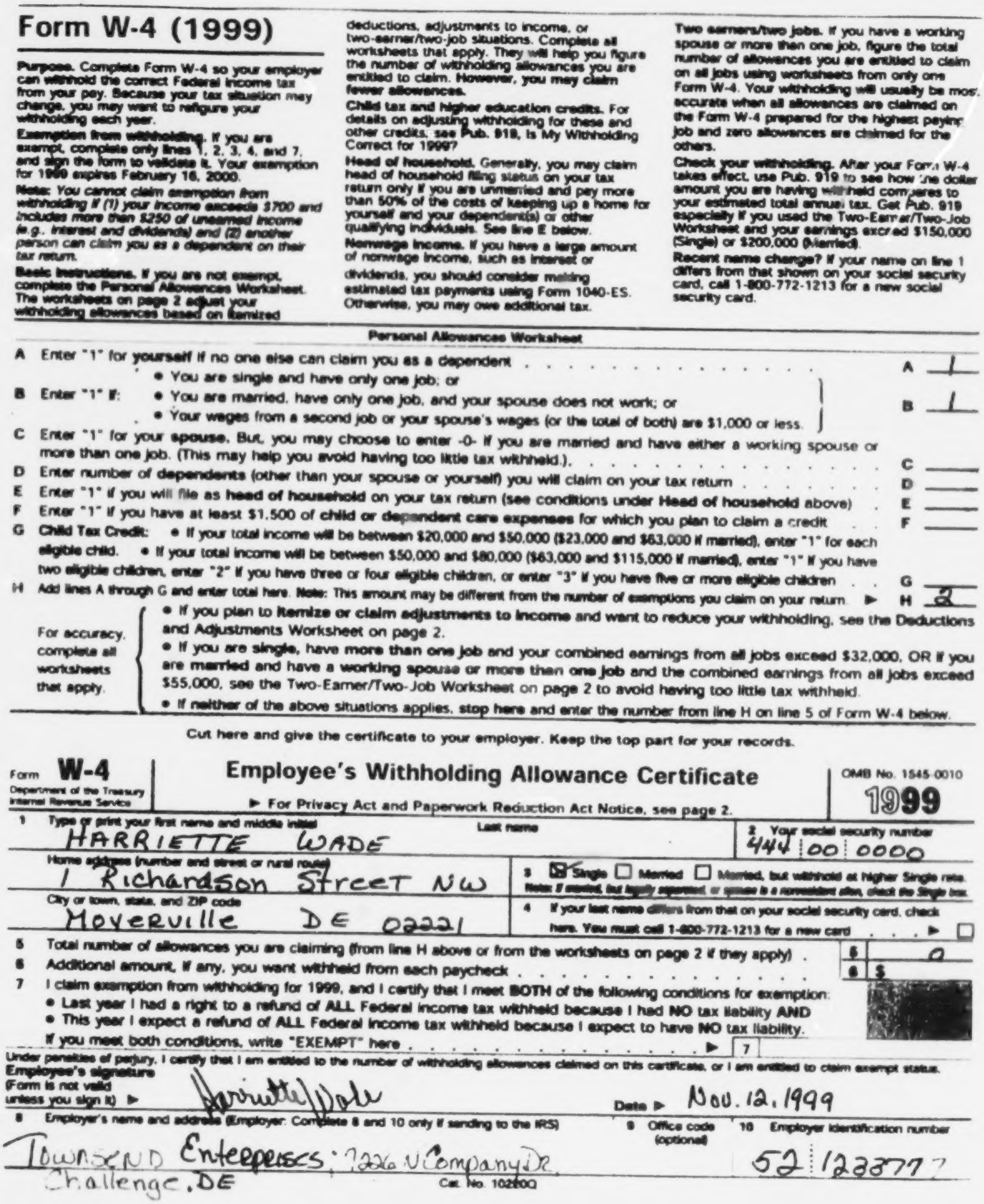
Economics of Taxation—Advanced Course

Activity 2 Worksheet

Type of Tax	Situation	Proportional, Progressive or Regressive Tax?	Is Tax Based on Benefits Received? Yes or No?	Is Tax Based on Ability to Pay? Yes or No?
Property 10% of the value of house and land	**A.** Julia is employed full time and earns $65,000. She owns her home, valued at $140,000, and a vacation home in another state valued at $120,000. **B.** Harry and Mildred are 76 and 78 years old. Their only income is Social Security. They own their home, valued at $120,000.			
Annual Boat License 5% of value of boats 0-17 feet long 12% of value of boats 18-35 feet long	**A.** The Coles have an annual income of $47,000. They own a 30-foot boat given to them by an uncle. **B.** Maria owns a 16-foot power boat. Her annual income is $56,000.			
Airport Excise All passengers landing at a specific airport are charged a fee of 15%	**A.** Linda is traveling on business. Her roundtrip ticket cost $685. Her annual income is $78,000. **B.** Louis's and Sam's discount airline tickets for their vacation trip cost $250 each. Their combined annual income is $92,000.			

Becoming Taxwise—Lesson 1

Form W-4 (page 1) for Harriette Wade



Form W-4 (1999)

Purpose. Complete Form W-4 so your employer can withhold the correct Federal income tax from your pay. Because your tax situation may change, you may want to refigure your withholding each year.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7, and sign the form to validate it. Your exemption for 1999 expires February 16, 2000.

Note: *You cannot claim exemption from withholding if (1) your income exceeds $700 and includes more than $250 of unearned income (e.g., interest and dividends) and (2) another person can claim you as a dependent on their tax return.*

Basic instructions. If you are not exempt, complete the Personal Allowances Worksheet. The worksheets on page 2 adjust your withholding allowances based on itemized deductions, adjustments to income, or two-earner/two-job situations. Complete all worksheets that apply. They will help you figure the number of withholding allowances you are entitled to claim. However, you may claim fewer allowances.

Child tax and higher education credits. For details on adjusting withholding for these and other credits, see Pub. 919, Is My Withholding Correct for 1999?

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See line E below.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, you should consider making estimated tax payments using Form 1040-ES. Otherwise, you may owe additional tax.

Two earners/two jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding will usually be most accurate when all allowances are claimed on the Form W-4 prepared for the highest paying job and zero allowances are claimed for the others.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how the dollar amount you are having withheld compares to your estimated total annual tax. Get Pub. 919 especially if you used the Two-Earner/Two-Job Worksheet and your earnings exceed $150,000 (Single) or $200,000 (Married).

Recent name change? If your name on line 1 differs from that shown on your social security card, call 1-800-772-1213 for a new social security card.

Personal Allowances Worksheet

A	Enter "1" for **yourself** if no one else can claim you as a dependent	A 1
B	Enter "1" if: • You are single and have only one job; or • You are married, have only one job, and your spouse does not work; or • Your wages from a second job or your spouse's wages (or the total of both) are $1,000 or less.	B 1
C	Enter "1" for your **spouse.** But, you may choose to enter -0- if you are married and have either a working spouse or more than one job. (This may help you avoid having too little tax withheld.)	C
D	Enter number of **dependents** (other than your spouse or yourself) you will claim on your tax return	D
E	Enter "1" if you will file as **head of household** on your tax return (see conditions under **Head of household** above) .	E
F	Enter "1" if you have at least $1,500 of **child or dependent care expenses** for which you plan to claim a credit . .	F
G	**Child Tax Credit:** • If your total income will be between $20,000 and $50,000 ($23,000 and $63,000 if married), enter "1" for each eligible child. • If your total income will be between $50,000 and $80,000 ($63,000 and $115,000 if married), enter "1" if you have two eligible children, enter "2" if you have three or four eligible children, or enter "3" if you have five or more eligible children . .	G
H	Add lines A through G and enter total here. **Note:** This amount may be different from the number of exemptions you claim on your return. ▶	H 2

For accuracy, complete all worksheets that apply.
- If you plan to **itemize or claim adjustments to income** and want to reduce your withholding, see the Deductions and Adjustments Worksheet on page 2.
- If you are **single,** have **more than one job** and your combined earnings from **all** jobs exceed $32,000, OR if you are **married** and have a **working spouse** or **more than one job** and the combined earnings from all jobs exceed $55,000, see the Two-Earner/Two-Job Worksheet on page 2 to avoid having too little tax withheld.
- If **neither** of the above situations applies, **stop here** and enter the number from line H on line 5 of Form W-4 below.

Cut here and give the certificate to your employer. Keep the top part for your records.

Form **W-4**
Department of the Treasury
Internal Revenue Service

Employee's Withholding Allowance Certificate

▶ For Privacy Act and Paperwork Reduction Act Notice, see page 2.

OMB No. 1545-0010
1999

1 Type or print your first name and middle initial: HARRIETTE
Last name: WADE
2 Your social security number: 444 00 0000
Home address (number and street or rural route): 1 Richardson Street NW
3 ☒ Single ☐ Married ☐ Married, but withhold at higher Single rate.
Note: If married, but legally separated, or spouse is a nonresident alien, check the Single box.
City or town, state, and ZIP code: Moverville DE 02221
4 If your last name differs from that on your social security card, check here. You must call 1-800-772-1213 for a new card . . . . ▶ ☐

5	Total number of allowances you are claiming (from line H above or from the worksheets on page 2 if they apply) .	5 0
6	Additional amount, if any, you want withheld from each paycheck	6 $

7 I claim exemption from withholding for 1999, and I certify that I meet **BOTH** of the following conditions for exemption:
- Last year I had a right to a refund of **ALL** Federal income tax withheld because I had **NO** tax liability **AND**
- This year I expect a refund of **ALL** Federal income tax withheld because I expect to have **NO** tax liability.

If you meet both conditions, write "EXEMPT" here . . . . ▶ 7

Under penalties of perjury, I certify that I am entitled to the number of withholding allowances claimed on this certificate, or I am entitled to claim exempt status.
Employee's signature (Form is not valid unless you sign it) ▶ Harriette Wade
Date ▶ Nov. 12, 1999

8 Employer's name and address (Employer: Complete 8 and 10 only if sending to the IRS): Townsend Enterprises; 7226 N Company Dr. Challenge, DE
9 Office code (optional)
10 Employer identification number: 52 1223777

Cat. No. 10220Q

Becoming Taxwise—Lesson 1

Form W-4 (page 2) for Harriette Wade

Form W-4 (1999) Wade Page **2**

Deductions and Adjustments Worksheet

Note: *Use this worksheet only if you plan to itemize deductions or claim adjustments to income on your 1999 tax return.*

1 Enter an estimate of your 1999 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes (but not sales taxes), medical expenses in excess of 7.5% of your income, and miscellaneous deductions. (For 1999, you may have to reduce your itemized deductions if your income is over $126,600 ($63,300 if married filing separately). Get Pub. 919 for details.) . . . 1 $ 423.00

2 Enter: { $7,200 if married filing jointly or qualifying widow(er) / $6,350 if head of household / $4,300 if single / $3,600 if married filing separately } . . . 2 $ 4300 .00

3 **Subtract** line 2 from line 1. If line 2 is greater than line 1, enter -0- . . . 3 $ —0—

4 Enter an estimate of your 1999 adjustments to income, including alimony, deductible IRA contributions, and student loan interest . . . 4 $

5 **Add** lines 3 and 4 and enter the total . . . 5 $ —0—

6 Enter an estimate of your 1999 nonwage income (such as dividends or interest) . . . 6 $ 300.00

7 **Subtract** line 6 from line 5. Enter the result, but not less than -0- . . . 7 $ —0—

8 **Divide** the amount on line 7 by $3,000 and enter the result here. Drop any fraction . . . 8

9 Enter the number from Personal Allowances Worksheet, line H, on page 1 . . . 9

10 **Add** lines 8 and 9 and enter the total here. If you plan to use the Two-Earner/Two-Job Worksheet, also enter this total on line 1 below. Otherwise, **stop here** and enter this total on Form W-4, line 5, on page 1 . . . 10 —0—

Two-Earner/Two-Job Worksheet

Note: *Use this worksheet only if the instructions for line H on page 1 direct you here.*

1 Enter the number from line H on page 1 (or from line 10 above if you used the Deductions and Adjustments Worksheet) . . . 1

2 Find the number in **Table 1** below that applies to the **LOWEST** paying job and enter it here . . . 2

3 If line 1 is **GREATER THAN OR EQUAL TO** line 2, subtract line 2 from line 1. Enter the result here (if zero, enter -0-) and on Form W-4, line 5, on page 1. **DO NOT** use the rest of this worksheet . . . 3

Note: *If line 1 is **LESS THAN** line 2, enter -0- on Form W-4, line 5, on page 1. Complete lines 4–9 to calculate the additional withholding amount necessary to avoid a year end tax bill.*

4 Enter the number from line 2 of this worksheet . . . 4

5 Enter the number from line 1 of this worksheet . . . 5

6 **Subtract** line 5 from line 4 . . . 6

7 Find the amount in **Table 2** below that applies to the **HIGHEST** paying job and enter it here . . . 7 $

8 **Multiply** line 7 by line 6 and enter the result here. This is the additional annual withholding amount needed . . . 8

9 Divide line 8 by the number of pay periods remaining in 1999. (For example, divide by 26 if you are paid every other week and you complete this form in December 1998.) Enter the result here and on Form W-4, line 6, page 1. This is the additional amount to be withheld from each paycheck . . . 9 $

Table 1: Two-Earner/Two-Job Worksheet

Married Filing Jointly				All Others			
If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above	If wages from **LOWEST** paying job are—	Enter on line 2 above
$0 - $4,000	0	40,001 - 45,000	8	$0 - $5,000	0	65,001 - 80,000	8
4,001 - 7,000	1	45,001 - 54,000	9	5,001 - 11,000	1	80,001 - 100,000	9
7,001 - 12,000	2	54,001 - 62,000	10	11,001 - 16,000	2	100,001 and over	10
12,001 - 18,000	3	62,001 - 70,000	11	16,001 - 21,000	3		
18,001 - 24,000	4	70,001 - 85,000	12	21,001 - 25,000	4		
24,001 - 28,000	5	85,001 - 100,000	13	25,001 - 40,000	5		
28,001 - 35,000	6	100,001 - 110,000	14	40,001 - 50,000	6		
35,001 - 40,000	7	110,001 and over	15	50,001 - 65,000	7		

Table 2: Two-Earner/Two-Job Worksheet

Married Filing Jointly		All Others	
If wages from **HIGHEST** paying job are—	Enter on line 7 above	If wages from **HIGHEST** paying job are—	Enter on line 7 above
$0 - $50,000	$400	$0 - $30,000	$400
50,001 - 100,000	770	30,001 - 60,000	770
100,001 - 130,000	850	60,001 - 120,000	850
130,001 - 240,000	1,000	120,001 - 250,000	1,000
240,001 and over	1,100	250,001 and over	1,100

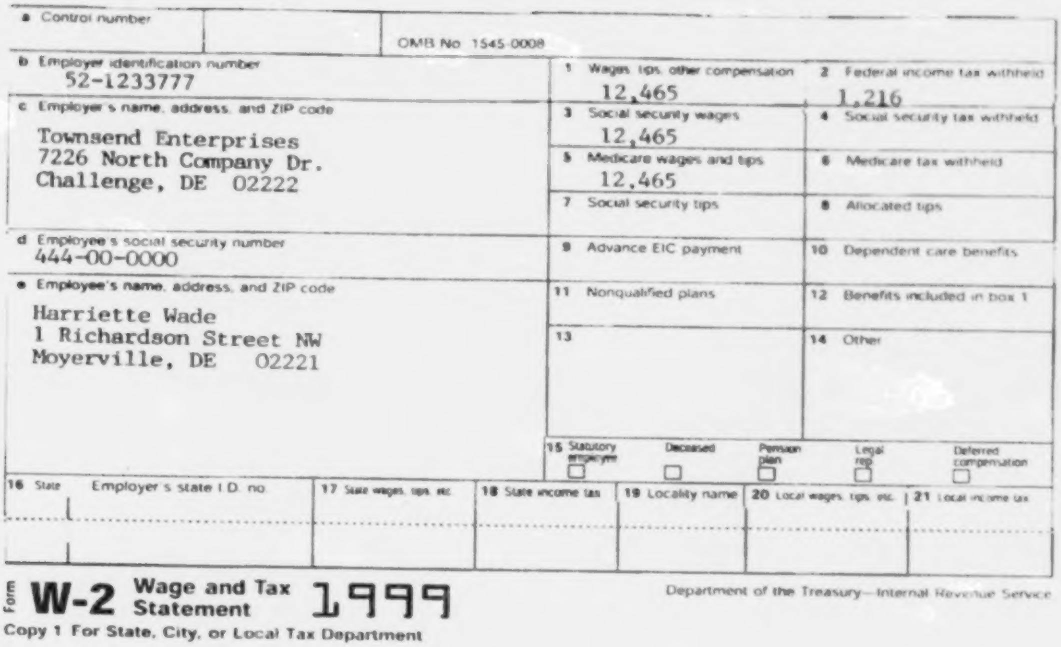
Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. The Internal Revenue Code requires this information under sections 3402(f)(2)(A) and 6109 and their regulations. Failure to provide a **properly** completed form will result in your being treated as a single person who claims no withholding **allowances**; **providing fraudulent information may** also **subject you to penalties.** Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation and to cities, states, and the District of Columbia for use in administering their tax laws.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by Code section 6103.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is: **Recordkeeping** 46 min., **Learning about the law or the form** 10 min., **Preparing the form** 1 hr., 10 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the tax form to this address. Instead, give it to your employer.

Becoming Taxwise—Lesson 1

Form W-2 for Harriette Wade



a Control number

OMB No. 1545-0008

b Employer identification number
52-1233777

c Employer's name, address, and ZIP code
Townsend Enterprises
7226 North Company Dr.
Challenge, DE 02222

d Employee's social security number
444-00-0000

e Employee's name, address, and ZIP code
Harriette Wade
1 Richardson Street NW
Moyerville, DE 02221

1 Wages, tips, other compensation
12,465

2 Federal income tax withheld
1,216

3 Social security wages
12,465

4 Social security tax withheld

5 Medicare wages and tips
12,465

6 Medicare tax withheld

7 Social security tips

8 Allocated tips

9 Advance EIC payment

10 Dependent care benefits

11 Nonqualified plans

12 Benefits included in box 1

13

14 Other

15 Statutory employee ☐ Deceased ☐ Pension plan ☐ Legal rep. ☐ Deferred compensation ☐

16 State	Employer's state I.D. no.	17 State wages, tips, etc.	18 State income tax	19 Locality name	20 Local wages, tips, etc.	21 Local income tax

Form **W-2** **Wage and Tax Statement** 1999

Department of the Treasury—Internal Revenue Service

Copy 1 For State, City, or Local Tax Department

Becoming Taxwise—Lesson 2

Figure 1
Filing Status and Tax Forms

1040EZ	1040A	1040	
x	x	x	Single
x	x	x	Married filing joint return
	x	x	Married filing separate return
	x	x	Head of household
	x	x	Qualifying widow(er)

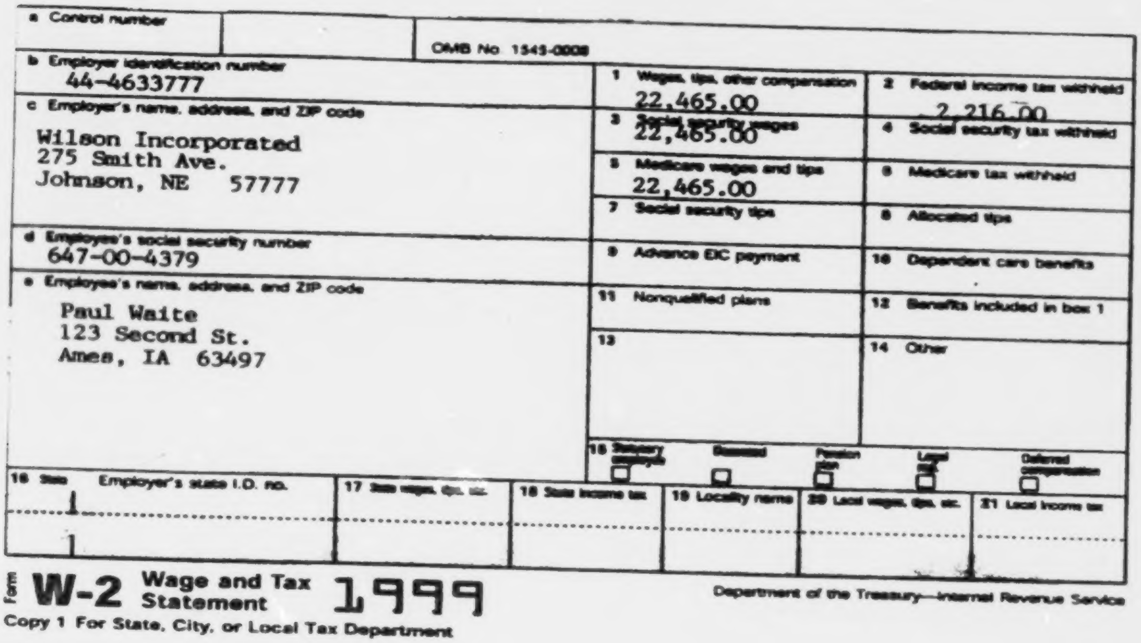
Becoming Taxwise—Lesson 2

Figure 2
Types of Income and Tax Forms

1040EZ	1040A	1040	
x	x	x	Wages, salaries, tips
x	x	x	Scholarship and fellowship grants
x	x	x	Unemployment compensation
x	x	x	Interest *
	x	x	Dividends
		x	Alimony
		x	Business income
		x	Capital gains
	x	x	IRA, pension, and annuity distributions
		x	Rents, royalties, partnerships, etc.
	x	x	Taxable Social Security benefits

Becoming Taxwise—Lesson 2

Form W-2 for Paul Waite



a Control number

OMB No. 1545-0008

b Employer identification number
44-4633777

c Employer's name, address, and ZIP code

Wilson Incorporated
275 Smith Ave.
Johnson, NE 57777

d Employee's social security number
647-00-4379

e Employee's name, address, and ZIP code

Paul Waite
123 Second St.
Ames, IA 63497

1 Wages, tips, other compensation
22,465.00

2 Federal income tax withheld
2,216.00

3 Social security wages
22,465.00

4 Social security tax withheld

5 Medicare wages and tips
22,465.00

6 Medicare tax withheld

7 Social security tips

8 Allocated tips

9 Advance EIC payment

10 Dependent care benefits

11 Nonqualified plans

12 Benefits included in box 1

13

14 Other

15 Statutory employee ☐ Deceased ☐ Pension plan ☐ Legal rep. ☐ Deferred compensation ☐

16 State Employer's state I.D. no.

17 State wages, tips, etc.

18 State income tax

19 Locality name

20 Local wages, tips, etc.

21 Local income tax

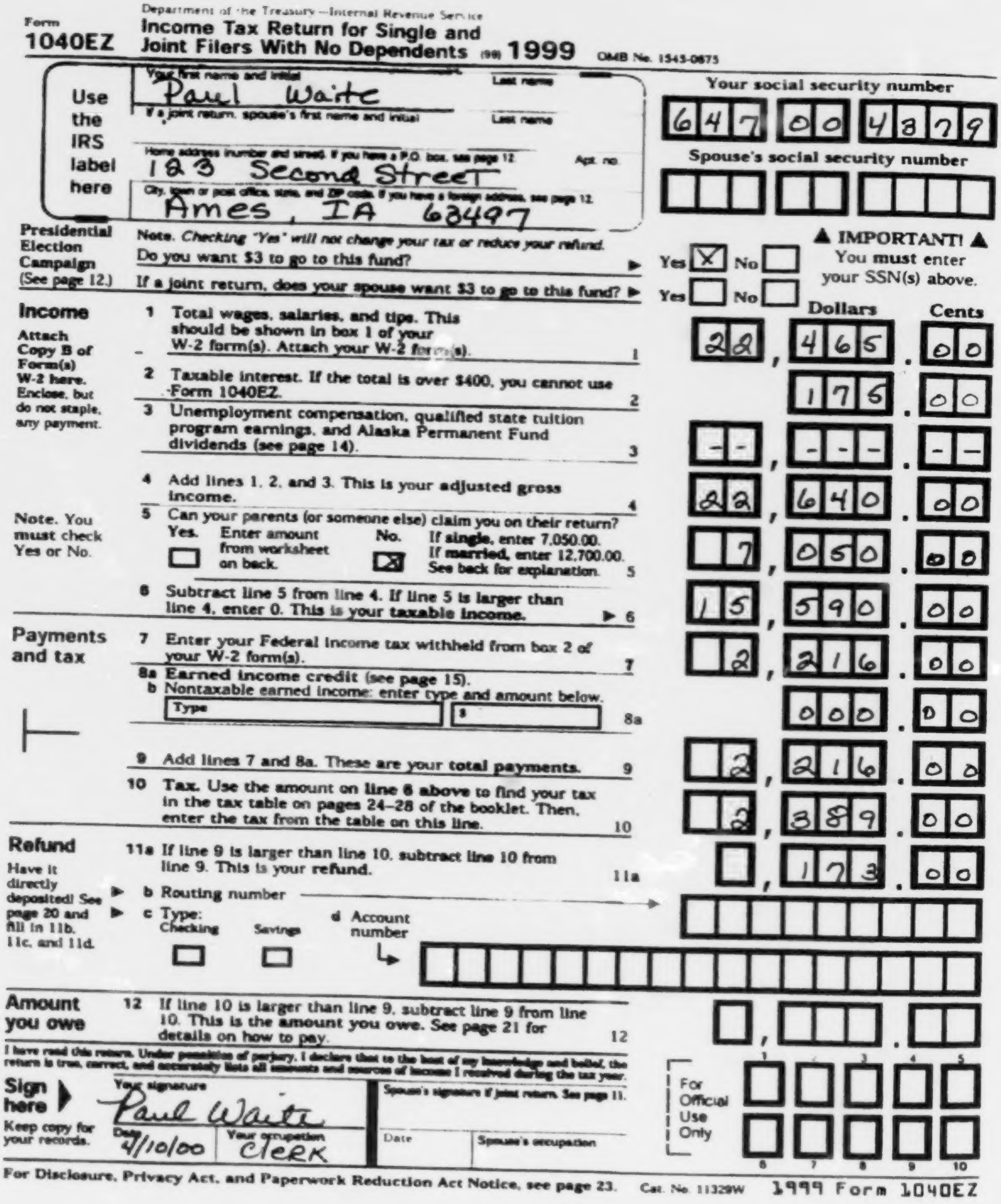
Form **W-2** Wage and Tax Statement **1999**

Copy 1 For State, City, or Local Tax Department

Department of the Treasury—Internal Revenue Service

Becoming Taxwise—Lesson 2

Form 1040EZ (page 1) for Paul Waite



Form **1040EZ**

Department of the Treasury—Internal Revenue Service

Income Tax Return for Single and Joint Filers With No Dependents (99) **1999** OMB No. 1545-0675

Use the IRS label here

Your first name and initial: Paul Last name: Waite

If a joint return, spouse's first name and initial Last name

Home address (number and street). If you have a P.O. box, see page 12. Apt. no.: 123 Second Street

City, town or post office, state, and ZIP code. If you have a foreign address, see page 12.: Ames, IA 63497

Your social security number: 647 00 4379

Spouse's social security number: ☐☐☐ ☐☐ ☐☐☐☐

Presidential Election Campaign (See page 12.)

Note. Checking "Yes" will not change your tax or reduce your refund.

Do you want $3 to go to this fund? ▶ Yes ☒ No ☐

If a joint return, does your spouse want $3 to go to this fund? ▶ Yes ☐ No ☐

▲ IMPORTANT! ▲ You must enter your SSN(s) above.

			Dollars	Cents
Income Attach Copy B of Form(s) W-2 here. Enclose, but do not staple, any payment.	1	Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s).	22,465	00
	2	Taxable interest. If the total is over $400, you cannot use Form 1040EZ.	176	00
	3	Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends (see page 14).	--,---	--
	4	Add lines 1, 2, and 3. This is your adjusted gross income.	22,640	00
Note. You must check Yes or No.	5	Can your parents (or someone else) claim you on their return? Yes. ☐ Enter amount from worksheet on back. No. ☒ If single, enter 7,050.00. If married, enter 12,700.00. See back for explanation.	7,050	00
	6	Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your **taxable income.** ▶	15,590	00
Payments and tax	7	Enter your Federal income tax withheld from box 2 of your W-2 form(s).	2,216	00
	8a	**Earned income credit** (see page 15). b Nontaxable earned income: enter type and amount below. Type $	000	00
	9	Add lines 7 and 8a. These are your **total payments.**	2,216	00
	10	**Tax.** Use the amount on **line 6 above** to find your tax in the tax table on pages 24–28 of the booklet. Then, enter the tax from the table on this line.	2,389	00
Refund Have it directly deposited! See page 20 and fill in 11b, 11c, and 11d.	11a	If line 9 is larger than line 10, subtract line 10 from line 9. This is your **refund.**	173	00
		▶ b Routing number		
		▶ c Type: Checking ☐ Savings ☐ d Account number		
Amount you owe	12	If line 10 is larger than line 9, subtract line 9 from line 10. This is the **amount you owe.** See page 21 for details on how to pay.		

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and accurately lists all amounts and sources of income I received during the tax year.

Sign here ▶ Keep copy for your records.

Your signature: Paul Waite

Date: 4/10/00 Your occupation: Clerk

Spouse's signature if joint return. See page 11.

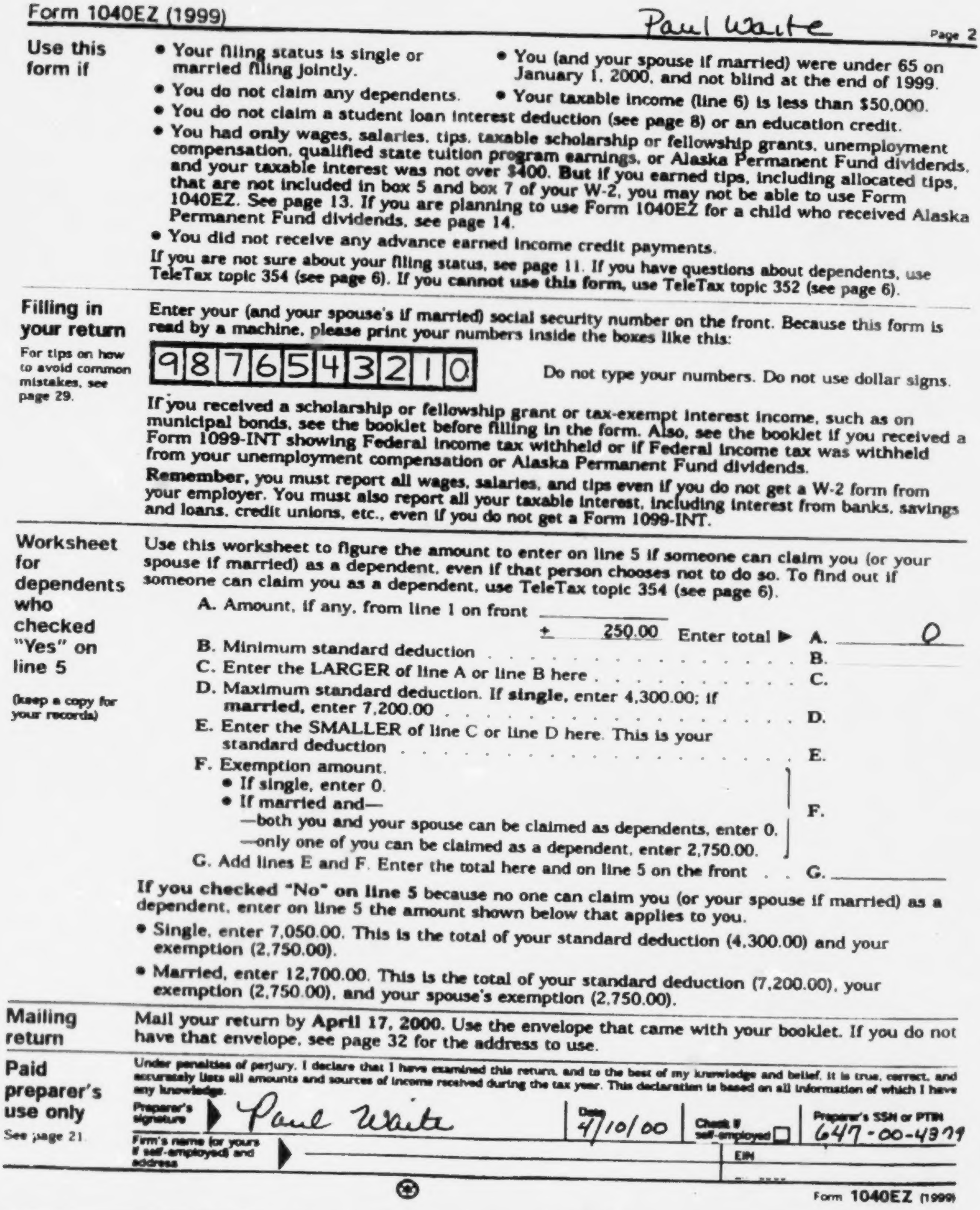
Date Spouse's occupation

For Official Use Only

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 23. Cat. No. 11329W 1999 Form 1040EZ

Becoming Taxwise—Lesson 2

Form 1040EZ (page 2) for Paul Waite



Form 1040EZ (1999) Paul Waite Page 2

Use this form if

- Your filing status is single or married filing jointly.
- You (and your spouse if married) were under 65 on January 1, 2000, and not blind at the end of 1999.
- You do not claim any dependents.
- Your taxable income (line 6) is less than $50,000.
- You do not claim a student loan interest deduction (see page 8) or an education credit.
- You had **only** wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, qualified state tuition program earnings, or Alaska Permanent Fund dividends, and your taxable interest was not over $400. **But** if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 13. If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see page 14.
- You did not receive any advance earned income credit payments.

If you are not sure about your filing status, see page 11. If you have questions about dependents, use TeleTax topic 354 (see page 6). If you cannot use this form, use TeleTax topic 352 (see page 6).

Filling in your return

For tips on how to avoid common mistakes, see page 29.

Enter your (and your spouse's if married) social security number on the front. Because this form is read by a machine, please print your numbers inside the boxes like this:

9	8	7	6	5	4	3	2	1	0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing Federal income tax withheld or if Federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

Remember, you must report all wages, salaries, and tips even if you do not get a W-2 form from your employer. You must also report all your taxable interest, including interest from banks, savings and loans, credit unions, etc., even if you do not get a Form 1099-INT.

Worksheet for dependents who checked "Yes" on line 5

(keep a copy for your records)

Use this worksheet to figure the amount to enter on line 5 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, use TeleTax topic 354 (see page 6).

A. Amount, if any, from line 1 on front ______
+ 250.00 Enter total ▶ A. 0

B. Minimum standard deduction . . . . B. ______

C. Enter the LARGER of line A or line B here . . . . C. ______

D. Maximum standard deduction. If **single**, enter 4,300.00; if **married**, enter 7,200.00 . . . . D. ______

E. Enter the SMALLER of line C or line D here. This is your standard deduction . . . . E. ______

F. Exemption amount.
- If single, enter 0.
- If married and—
  —both you and your spouse can be claimed as dependents, enter 0.
  —only one of you can be claimed as a dependent, enter 2,750.00.

F. ______

G. Add lines E and F. Enter the total here and on line 5 on the front . . G. ______

If you checked "No" on line 5 because no one can claim you (or your spouse if married) as a dependent, enter on line 5 the amount shown below that applies to you.

- Single, enter 7,050.00. This is the total of your standard deduction (4,300.00) and your exemption (2,750.00).
- Married, enter 12,700.00. This is the total of your standard deduction (7,200.00), your exemption (2,750.00), and your spouse's exemption (2,750.00).

Mailing return

Mail your return by **April 17, 2000.** Use the envelope that came with your booklet. If you do not have that envelope, see page 32 for the address to use.

Paid preparer's use only

See page 21.

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income received during the tax year. This declaration is based on all information of which I have any knowledge.

Preparer's signature ▶ Paul Waite

Date 4/10/00

Check if self-employed ☐

Preparer's SSN or PTIN 647-00-4379

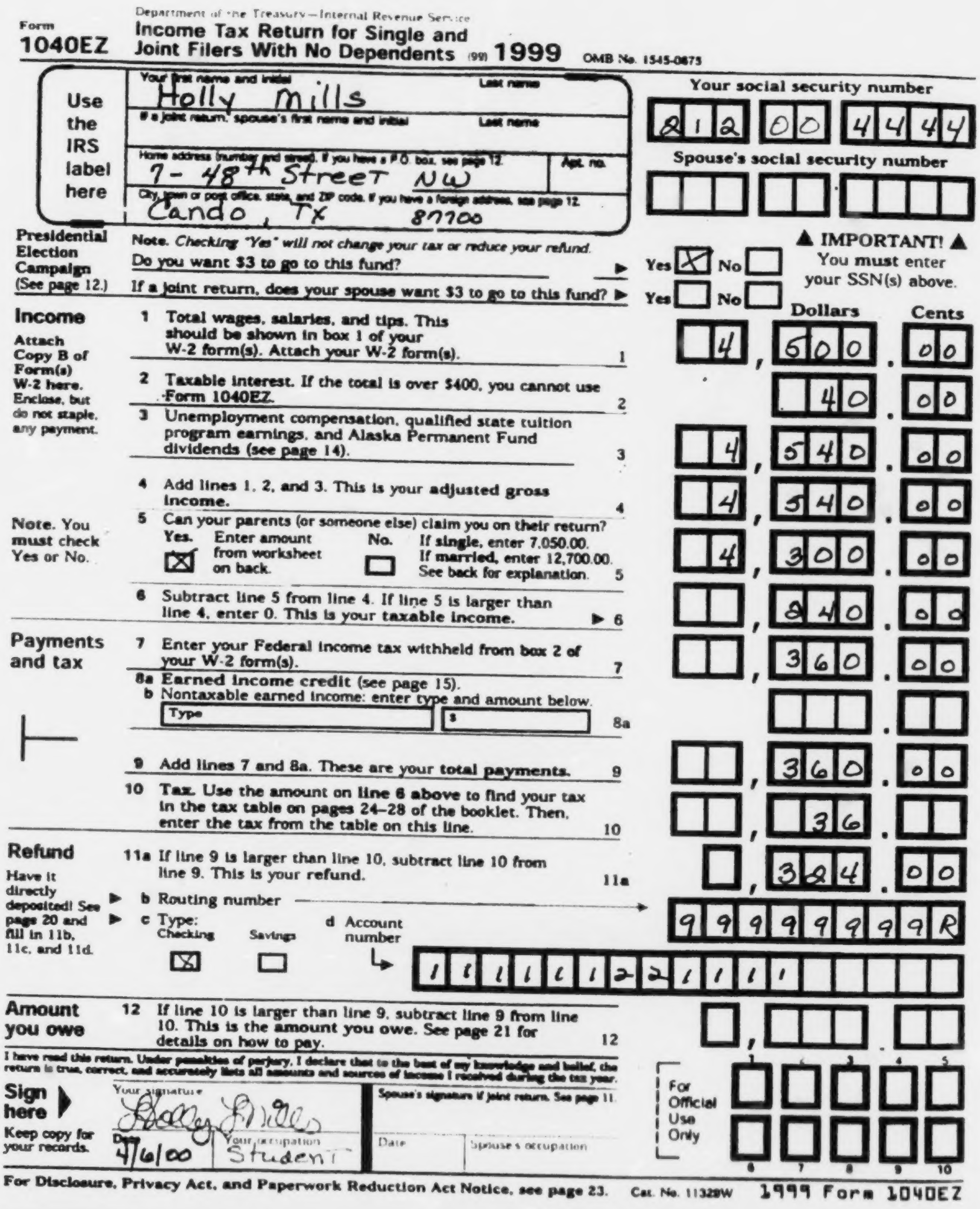
Firm's name (or yours if self-employed) and address ▶

EIN

Form **1040EZ** (1999)

Becoming Taxwise—Lesson 2

Form 1040EZ (page 1) for Holly Mills



Form **1040EZ** Department of the Treasury—Internal Revenue Service
Income Tax Return for Single and Joint Filers With No Dependents (99) **1999** OMB No. 1545-0675

Use the IRS label here

Your first name and initial / Last name: Holly Mills
If a joint return, spouse's first name and initial / Last name:
Home address (number and street). If you have a P.O. box, see page 12. / Apt. no.: 7- 48th Street NW
City, town or post office, state, and ZIP code. If you have a foreign address, see page 12.: Cando, TX 87700

Your social security number: 212 00 4444
Spouse's social security number:

▲ **IMPORTANT!** ▲ You must enter your SSN(s) above.

Presidential Election Campaign (See page 12.)
Note. *Checking "Yes" will not change your tax or reduce your refund.*
Do you want $3 to go to this fund? ▶ Yes ☒ No ☐
If a joint return, does your spouse want $3 to go to this fund? ▶ Yes ☐ No ☐

			Dollars	Cents
Income Attach Copy B of Form(s) W-2 here. Enclose, but do not staple, any payment.	1	Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s).	4,500	.00
	2	Taxable interest. If the total is over $400, you cannot use Form 1040EZ.	40	.00
	3	Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends (see page 14).	4,540	.00
	4	Add lines 1, 2, and 3. This is your **adjusted gross income.**	4,540	.00
Note. You must check Yes or No.	5	Can your parents (or someone else) claim you on their return? Yes. ☒ Enter amount from worksheet on back. No. ☐ If **single**, enter 7,050.00. If **married**, enter 12,700.00. See back for explanation.	4,300	.00
	6	Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your **taxable income.** ▶	240	.00
Payments and tax	7	Enter your Federal income tax withheld from box 2 of your W-2 form(s).	360	.00
	8a	**Earned income credit** (see page 15). b Nontaxable earned income: enter type and amount below. Type $		
	9	Add lines 7 and 8a. These are your **total payments.**	360	.00
	10	**Tax.** Use the amount on **line 6 above** to find your tax in the tax table on pages 24–28 of the booklet. Then, enter the tax from the table on this line.	36	
Refund Have it directly deposited! See page 20 and fill in 11b, 11c, and 11d.	11a	If line 9 is larger than line 10, subtract line 10 from line 9. This is your refund.	324	.00
	b	Routing number →	99999999R	
	c	Type: Checking ☒ Savings ☐		
	d	Account number ↳	111111221111	
Amount you owe	12	If line 10 is larger than line 9, subtract line 9 from line 10. This is the amount you owe. See page 21 for details on how to pay.		

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and accurately lists all amounts and sources of income I received during the tax year.

Sign here ▶ Keep copy for your records.

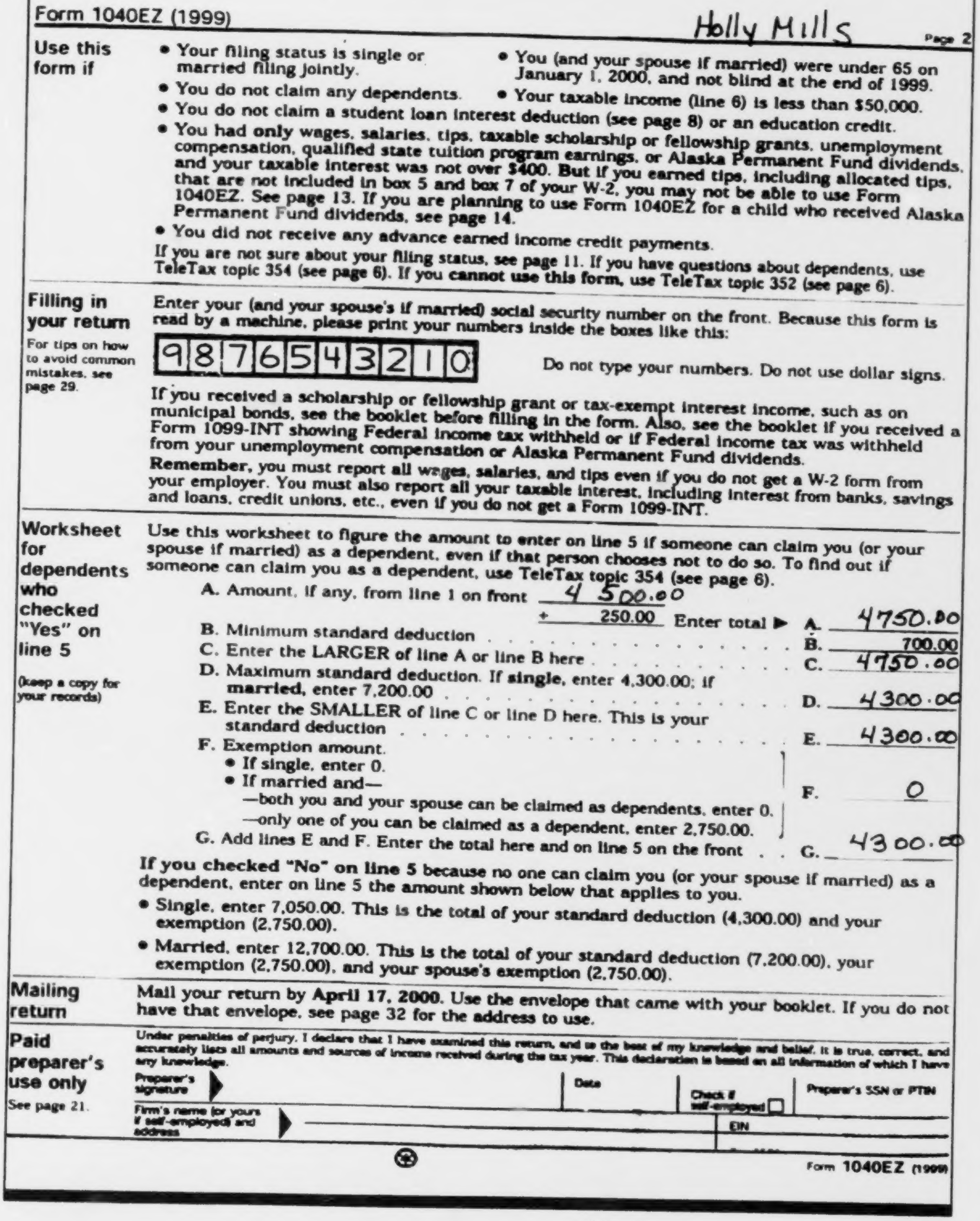
Your signature: Holly J Mills
Date: 4/6/00
Your occupation: Student
Spouse's signature if joint return. See page 11.
Date
Spouse's occupation

For Official Use Only: 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10 ☐

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 23. Cat. No. 11329W **1999 Form 1040EZ**

Becoming Taxwise—Lesson 2

Form 1040EZ (page 2) for Holly Mills



Form 1040EZ (1999) Holly Mills Page 2

Use this form if

- Your filing status is single or married filing jointly.
- You (and your spouse if married) were under 65 on January 1, 2000, and not blind at the end of 1999.
- You do not claim any dependents.
- Your taxable income (line 6) is less than $50,000.
- You do not claim a student loan interest deduction (see page 8) or an education credit.
- You had **only** wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, qualified state tuition program earnings, or Alaska Permanent Fund dividends, and your taxable interest was not over $400. **But if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 13. If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see page 14.**
- You did not receive any advance earned income credit payments.

If you are not sure about your filing status, see page 11. If you have questions about dependents, use TeleTax topic 354 (see page 6). If you **cannot use this form,** use TeleTax topic 352 (see page 6).

Filling in your return

For tips on how to avoid common mistakes, see page 29.

Enter your (and your spouse's if married) social security number on the front. Because this form is read by a machine, please print your numbers inside the boxes like this:

9	8	7	6	5	4	3	2	1	0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing Federal income tax withheld or if Federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

Remember, you must report all wages, salaries, and tips even if you do not get a W-2 form from your employer. You must also report all your taxable interest, including interest from banks, savings and loans, credit unions, etc., even if you do not get a Form 1099-INT.

Worksheet for dependents who checked "Yes" on line 5

(keep a copy for your records)

Use this worksheet to figure the amount to enter on line 5 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, use TeleTax topic 354 (see page 6).

A. Amount, if any, from line 1 on front 4 500.00
+ 250.00 Enter total ► A. 4750.00

B. Minimum standard deduction . . . . B. 700.00

C. Enter the LARGER of line A or line B here . . . . C. 4750.00

D. Maximum standard deduction. If **single,** enter 4,300.00; if **married,** enter 7,200.00 . . . . D. 4300.00

E. Enter the SMALLER of line C or line D here. This is your standard deduction . . . . E. 4300.00

F. Exemption amount.
- If single, enter 0.
- If married and—
  —both you and your spouse can be claimed as dependents, enter 0.
  —only one of you can be claimed as a dependent, enter 2,750.00.

F. 0

G. Add lines E and F. Enter the total here and on line 5 on the front . . G. 4300.00

If you checked "No" on line 5 because no one can claim you (or your spouse if married) as a dependent, enter on line 5 the amount shown below that applies to you.

- **Single,** enter 7,050.00. This is the total of your standard deduction (4,300.00) and your exemption (2,750.00).
- **Married,** enter 12,700.00. This is the total of your standard deduction (7,200.00), your exemption (2,750.00), and your spouse's exemption (2,750.00).

Mailing return

Mail your return by **April 17, 2000.** Use the envelope that came with your booklet. If you do not have that envelope, see page 32 for the address to use.

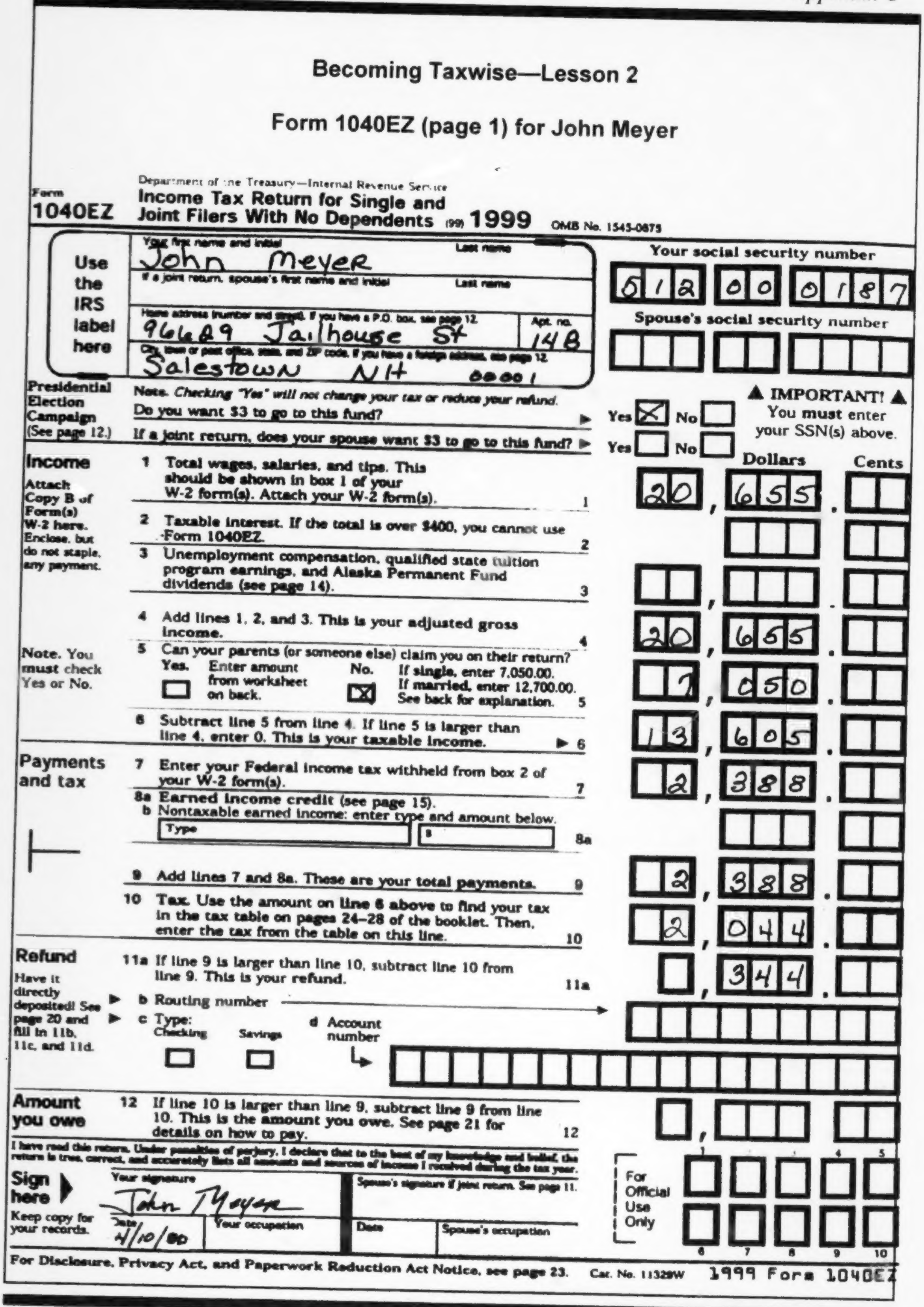
Paid preparer's use only

See page 21.

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income received during the tax year. This declaration is based on all information of which I have any knowledge.

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶		EIN	

Form **1040EZ** (1999)



Becoming Taxwise—Lesson 2

Form 1040EZ (page 1) for John Meyer

Form **1040EZ** Department of the Treasury—Internal Revenue Service
Income Tax Return for Single and Joint Filers With No Dependents (99) **1999** OMB No. 1545-0875

Use the IRS label here

Your first name and initial: John Last name: Meyer
If a joint return, spouse's first name and initial Last name
Home address (number and street). If you have a P.O. box, see page 12. 96689 Jailhouse St Apt. no. 14B
City, town or post office, state, and ZIP code. If you have a foreign address, see page 12. Salestown NH 00001

Your social security number 512 00 0187

Spouse's social security number ☐☐☐ ☐☐ ☐☐☐☐

▲ **IMPORTANT!** ▲ You must enter your SSN(s) above.

Presidential Election Campaign (See page 12.)
Note. *Checking "Yes" will not change your tax or reduce your refund.*
Do you want $3 to go to this fund? ▶ Yes ☒ No ☐
If a joint return, does your spouse want $3 to go to this fund? ▶ Yes ☐ No ☐

				Dollars	Cents
Income Attach Copy B of Form(s) W-2 here. Enclose, but do not staple, any payment.	1	Total wages, salaries, and tips. This should be shown in box 1 of your W-2 form(s). Attach your W-2 form(s).	1	20,655	.
	2	Taxable interest. If the total is over $400, you cannot use Form 1040EZ.	2		
	3	Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends (see page 14).	3	,	.
	4	Add lines 1, 2, and 3. This is your **adjusted gross income.**	4	20,655	.
Note. You must check Yes or No.	5	Can your parents (or someone else) claim you on their return? Yes. ☐ Enter amount from worksheet on back. No. ☒ If **single,** enter 7,050.00. If **married,** enter 12,700.00. See back for explanation.	5	7,050	.
	6	Subtract line 5 from line 4. If line 5 is larger than line 4, enter 0. This is your **taxable income.** ▶	6	13,605	.
Payments and tax	7	Enter your Federal income tax withheld from box 2 of your W-2 form(s).	7	2,388	.
	8a	**Earned income credit** (see page 15).			
	b	Nontaxable earned income: enter type and amount below. Type $	8a		
	9	Add lines 7 and 8a. These are your **total payments.**	9	2,388	.
	10	**Tax.** Use the amount on **line 6 above** to find your tax in the tax table on pages 24–28 of the booklet. Then, enter the tax from the table on this line.	10	2,044	.
Refund Have it directly deposited! See page 20 and fill in 11b, 11c, and 11d.	11a	If line 9 is larger than line 10, subtract line 10 from line 9. This is your **refund.**	11a	,344	.
	▶ b	Routing number →			
	▶ c	Type: ☐ Checking ☐ Savings			
	d	Account number ↳			
Amount you owe	12	If line 10 is larger than line 9, subtract line 9 from line 10. This is the **amount you owe.** See page 21 for details on how to pay.	12	,	

I have read this return. Under penalties of perjury, I declare that to the best of my knowledge and belief, the return is true, correct, and accurately lists all amounts and sources of income I received during the tax year.

Sign here ▶ Keep copy for your records.
Your signature: John Meyer
Date: 4/10/00
Your occupation
Spouse's signature if joint return. See page 11.
Date
Spouse's occupation

For Official Use Only ☐ 1 ☐ 2 ☐ 3 ☐ 4 ☐ 5 ☐ 6 ☐ 7 ☐ 8 ☐ 9 ☐ 10

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 23. Cat. No. 11329W 1999 Form 1040EZ

Becoming Taxwise—Lesson 2

Form 1040EZ (page 2) for John Meyer

Form 1040EZ (1999) Page 2

Use this form if

- Your filing status is single or married filing jointly.
- You do not claim any dependents.
- You (and your spouse if married) were under 65 on January 1, 2000, and not blind at the end of 1999.
- Your taxable income (line 6) is less than $50,000.
- You do not claim a student loan interest deduction (see page 8) or an education credit.
- You had **only** wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, qualified state tuition program earnings, or Alaska Permanent Fund dividends, and your taxable interest was not over $400. **But** if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 13. If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see page 14.
- You did not receive any advance earned income credit payments.

If you are not sure about your filing status, see page 11. If you have questions about dependents, use TeleTax topic 354 (see page 6). If you **cannot use this form**, use TeleTax topic 352 (see page 6).

Filling in your return

For tips on how to avoid common mistakes, see page 29.

Enter your (and your spouse's if married) social security number on the front. Because this form is read by a machine, please print your numbers inside the boxes like this:

9	8	7	6	5	4	3	2	1	0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing Federal income tax withheld or if Federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

Remember, you must report all wages, salaries, and tips even if you do not get a W-2 form from your employer. You must also report all your taxable interest, including interest from banks, savings and loans, credit unions, etc., even if you do not get a Form 1099-INT.

Worksheet for dependents who checked "Yes" on line 5

(keep a copy for your records)

Use this worksheet to figure the amount to enter on line 5 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, use TeleTax topic 354 (see page 6).

A. Amount, if any, from line 1 on front ________ + 250.00 Enter total ▶ A. ________

B. Minimum standard deduction . . . . B. 700.00

C. Enter the LARGER of line A or line B here . . . . C. ________

D. Maximum standard deduction. If **single,** enter 4,300.00; if **married,** enter 7,200.00 . . . . D. ________

E. Enter the SMALLER of line C or line D here. This is your standard deduction . . . . E. ________

F. Exemption amount.
- If single, enter 0.
- If married and—
  —both you and your spouse can be claimed as dependents, enter 0.
  —only one of you can be claimed as a dependent, enter 2,750.00.

F. ________

G. Add lines E and F. Enter the total here and on line 5 on the front . . G. ________

If you checked "No" on line 5 because no one can claim you (or your spouse if married) as a dependent, enter on line 5 the amount shown below that applies to you.

- Single, enter 7,050.00. This is the total of your standard deduction (4,300.00) and your exemption (2,750.00).
- Married, enter 12,700.00. This is the total of your standard deduction (7,200.00), your exemption (2,750.00), and your spouse's exemption (2,750.00).

Mailing return

Mail your return by **April 17, 2000.** Use the envelope that came with your booklet. If you do not have that envelope, see page 32 for the address to use.

Paid preparer's use only

See page 21.

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income received during the tax year. This declaration is based on all information of which I have any knowledge.

Preparer's signature ▶ ________ Date ________ Check if self-employed ☐ Preparer's SSN or PTIN ________

Firm's name (or yours if self-employed) and address ▶ ________ EIN ________

Form **1040EZ** (1999)

Becoming Taxwise—Lesson 3-A

Figure 3
Subtractions From Total Income and Tax Forms

1040EZ	1040A	1040	
x	x	x	Personal exemption *
x	x	x	Standard deduction
	x	x	Standard deduction for age and/or blindness
		x	Itemized deductions
		x	IRA deductions
		x	Half or self-employment tax
		x	Keogh and SEP retirement contributions
		x	Alimony payments
		x	Penalty or early withdrawal of savings
		x	Self-employment health insurance

Becoming Taxwise—Lesson 3-A

Form 1040A (page 1) for Joseph Seetoo

Form **1040A** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1999** IRS Use Only—Do not write or staple in this space

OMB No 1545-0085

Label (See page 19)

Use the IRS label. Otherwise please print or type

LABEL HERE

Your first name and initial Joseph	Last name SeeToo	Your social security number 444 66 5555
If a joint return, spouse's first name and initial Martina	Last name SeeToo	Spouse's social security number 111 22 3333
Home address (number and street). If you have a P.O. box, see page 20 462 Main St	Apt. no. 4	
City, town or post office, state, and ZIP code. If you have a foreign address, see page 20 Anywhere IA 00001		

▲ IMPORTANT! ▲ You **must** enter your SSN(s) above.

Presidential Election Campaign Fund (See page 20.)	Yes	No
Do you want $3 to go to this fund?		X
If a joint return, does your spouse want $3 to go to this fund?		X

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing status (Check only one box)

1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 22.)

Exemptions

6a ☒ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a.
b ☒ **Spouse**

No. of boxes checked on 6a and 6b

c **Dependents:** (If more than seven dependents, see page 22)

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 23)
Juan Seetoo	333 33 3333	Son	☐
Jamal SeeToo	555 55 5555	Son	☐
			☐
			☐
			☐
			☐
			☐

No. of your children on 6c who:
- lived with you
- did not live with you due to divorce or separation (see page 24)

Dependents on 6c not entered above

d Total number of exemptions claimed — Add numbers entered on lines above: 4

Income

Attach Copy B of your Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld. If you did not get a W-2, see page 25. Enclose, but do not staple, any payment.

7	Wages, salaries, tips, etc. Attach Form(s) W-2.	7	61010	—
8a	**Taxable** interest. Attach Schedule 1 if required.	8a	342	—
b	**Tax-exempt** interest. DO NOT include on line 8a. 8b			
9	Ordinary dividends. Attach Schedule 1 if required.	9	565	—
10a	Total IRA distributions. 10a — 10b Taxable amount (see page 25).	10b		
11a	Total pensions and annuities. 11a — 11b Taxable amount (see page 26).	11b		
12	Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends.	12	960	—
13a	Social security benefits. 13a — 13b Taxable amount (see page 28).	13b		
14	Add lines 7 through 13b (far right column). This is your **total income.** ▶	14	62877	—

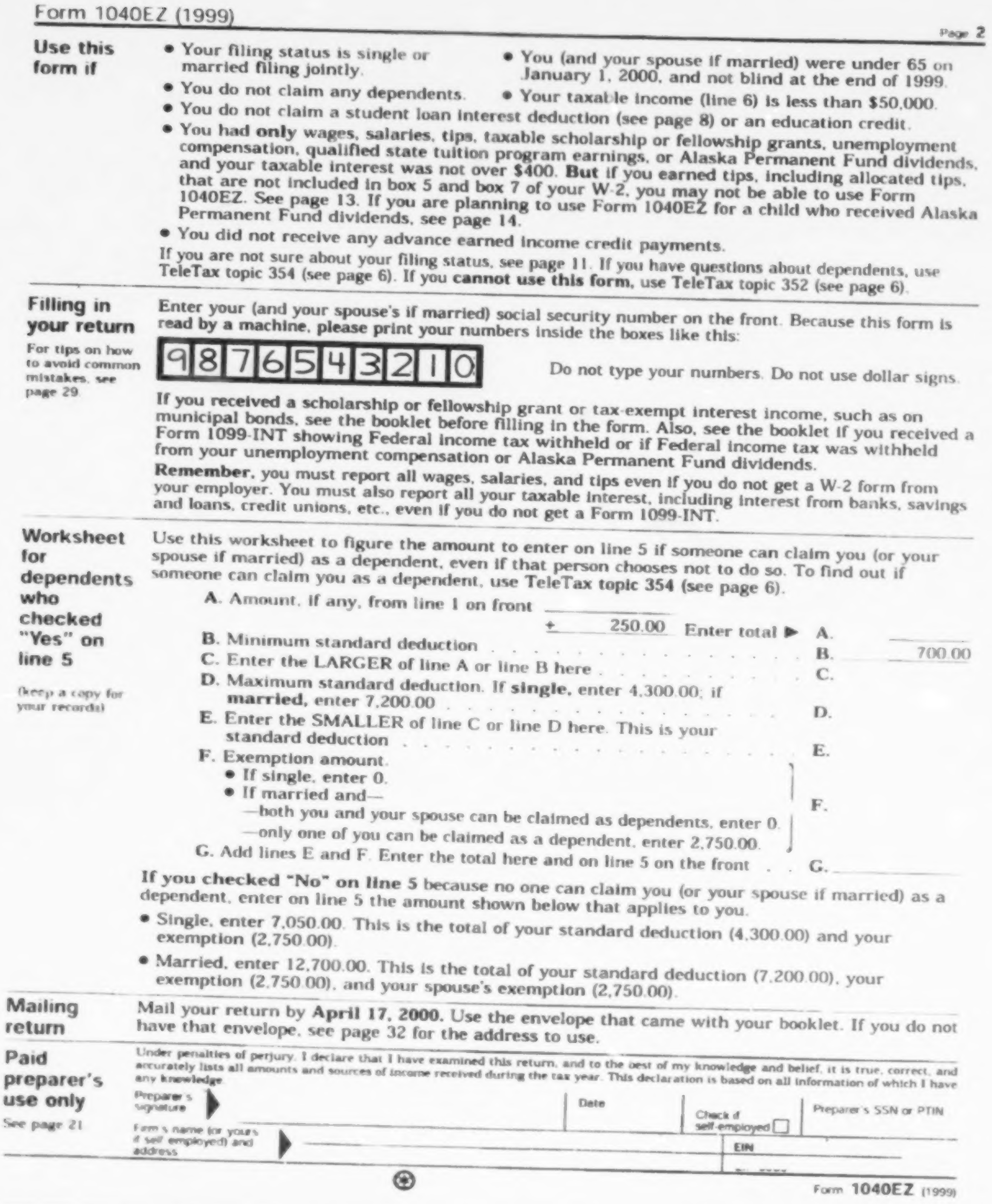
Adjusted gross income

15	IRA deduction (see page 30). 15		1800	—
16	Student loan interest deduction (see page 30). 16			
17	Add lines 15 and 16. These are your **total adjustments.**	17	62877	—
18	Subtract line 17 from line 14. This is your **adjusted gross income.** ▶	18	61077	—

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 53. Cat No 11327A Form **1040A** (1999)

Becoming Taxwise—Lesson 3-A

Form 1040A (page 2) for Joseph Seetoo



Form 1040EZ (1999) Page **2**

Use this form if

- Your filing status is single or married filing jointly.
- You (and your spouse if married) were under 65 on January 1, 2000, and not blind at the end of 1999.
- You do not claim any dependents.
- Your taxable income (line 6) is less than $50,000.
- You do not claim a student loan interest deduction (see page 8) or an education credit.
- You had **only** wages, salaries, tips, taxable scholarship or fellowship grants, unemployment compensation, qualified state tuition program earnings, or Alaska Permanent Fund dividends, and your taxable interest was not over $400. **But** if you earned tips, including allocated tips, that are not included in box 5 and box 7 of your W-2, you may not be able to use Form 1040EZ. See page 13. If you are planning to use Form 1040EZ for a child who received Alaska Permanent Fund dividends, see page 14.
- You did not receive any advance earned income credit payments.

If you are not sure about your filing status, see page 11. If you have questions about dependents, use TeleTax topic 354 (see page 6). If you **cannot use this form,** use TeleTax topic 352 (see page 6).

Filling in your return

For tips on how to avoid common mistakes, see page 29.

Enter your (and your spouse's if married) social security number on the front. Because this form is read by a machine, please print your numbers inside the boxes like this:

9	8	7	6	5	4	3	2	1	0

Do not type your numbers. Do not use dollar signs.

If you received a scholarship or fellowship grant or tax-exempt interest income, such as on municipal bonds, see the booklet before filling in the form. Also, see the booklet if you received a Form 1099-INT showing Federal income tax withheld or if Federal income tax was withheld from your unemployment compensation or Alaska Permanent Fund dividends.

Remember, you must report all wages, salaries, and tips even if you do not get a W-2 form from your employer. You must also report all your taxable interest, including interest from banks, savings and loans, credit unions, etc., even if you do not get a Form 1099-INT.

Worksheet for dependents who checked "Yes" on line 5

(keep a copy for your records)

Use this worksheet to figure the amount to enter on line 5 if someone can claim you (or your spouse if married) as a dependent, even if that person chooses not to do so. To find out if someone can claim you as a dependent, use TeleTax topic 354 (see page 6).

A. Amount, if any, from line 1 on front ______ + 250.00 Enter total ▶ A. ______

B. Minimum standard deduction . . . . B. 700.00

C. Enter the LARGER of line A or line B here . . . . . . C.

D. Maximum standard deduction. If **single,** enter 4,300.00; if **married,** enter 7,200.00 . . . . . . D.

E. Enter the SMALLER of line C or line D here. This is your standard deduction . . . . . . E.

F. Exemption amount.
- If single, enter 0.
- If married and—
  - —both you and your spouse can be claimed as dependents, enter 0.
  - —only one of you can be claimed as a dependent, enter 2,750.00.

F.

G. Add lines E and F. Enter the total here and on line 5 on the front . . G. ______

If you checked "No" on line 5 because no one can claim you (or your spouse if married) as a dependent, enter on line 5 the amount shown below that applies to you.

- Single, enter 7,050.00. This is the total of your standard deduction (4,300.00) and your exemption (2,750.00).
- Married, enter 12,700.00. This is the total of your standard deduction (7,200.00), your exemption (2,750.00), and your spouse's exemption (2,750.00).

Mailing return

Mail your return by **April 17, 2000.** Use the envelope that came with your booklet. If you do not have that envelope, see page 32 for the address to use.

Paid preparer's use only

See page 21

Under penalties of perjury, I declare that I have examined this return, and to the best of my knowledge and belief, it is true, correct, and accurately lists all amounts and sources of income received during the tax year. This declaration is based on all information of which I have any knowledge.

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self employed) and address ▶		EIN	

Form **1040EZ** (1999)

Becoming Taxwise—Lesson 3-B

Figure 4
Tax Credits and Tax Forms

1040EZ	1040A	1040	
	x	x	Credit for child and dependent care
	x	x	Credit for the elderly or the disabled
	x	x	Child tax credit
	x	x	Education credits
	x	x	Adoption credits
		x	Foreign tax credits
		x	Other business credits
		x	Credit for prior year minimum tax
		x	Earned income credit
x	x	x	Credit for federal tax on fuels

Becoming Taxwise—Lesson 3-B

Figure 5
Deductible IRA Contributions When Taxpayer or Spouse has Employer-Provided Retirement Program - 1999

Filing Status	Modified AGI Phaseout Range
Single, head of household, or married filing separately (and did not live with spouse in 1999)	At least $31,000 but less than $41,000
Married filing jointly or qualifying widow(er)	At least $51,000 but less than $61,000
Married filing separately (and lived with spouse in 1999)	At least 0 but less than $10,000

Becoming Taxwise—Lesson 3-B

Figure 6
Percentage for Child and Dependent Care Credit

If AGI is	But not over	Credit is
$0	$10,000	30%
$10,000	$12,000	29%
$12,000	$14,000	28%
$14,000	$16,000	27%
$16,000	$18,000	26%
$18,000	$20,000	25%
$20,000	$22,000	24%
$22,000	$24,000	23%
$24,000	$26,000	22%
$26,000	$28,000	21%
$28,000	No limit	20%

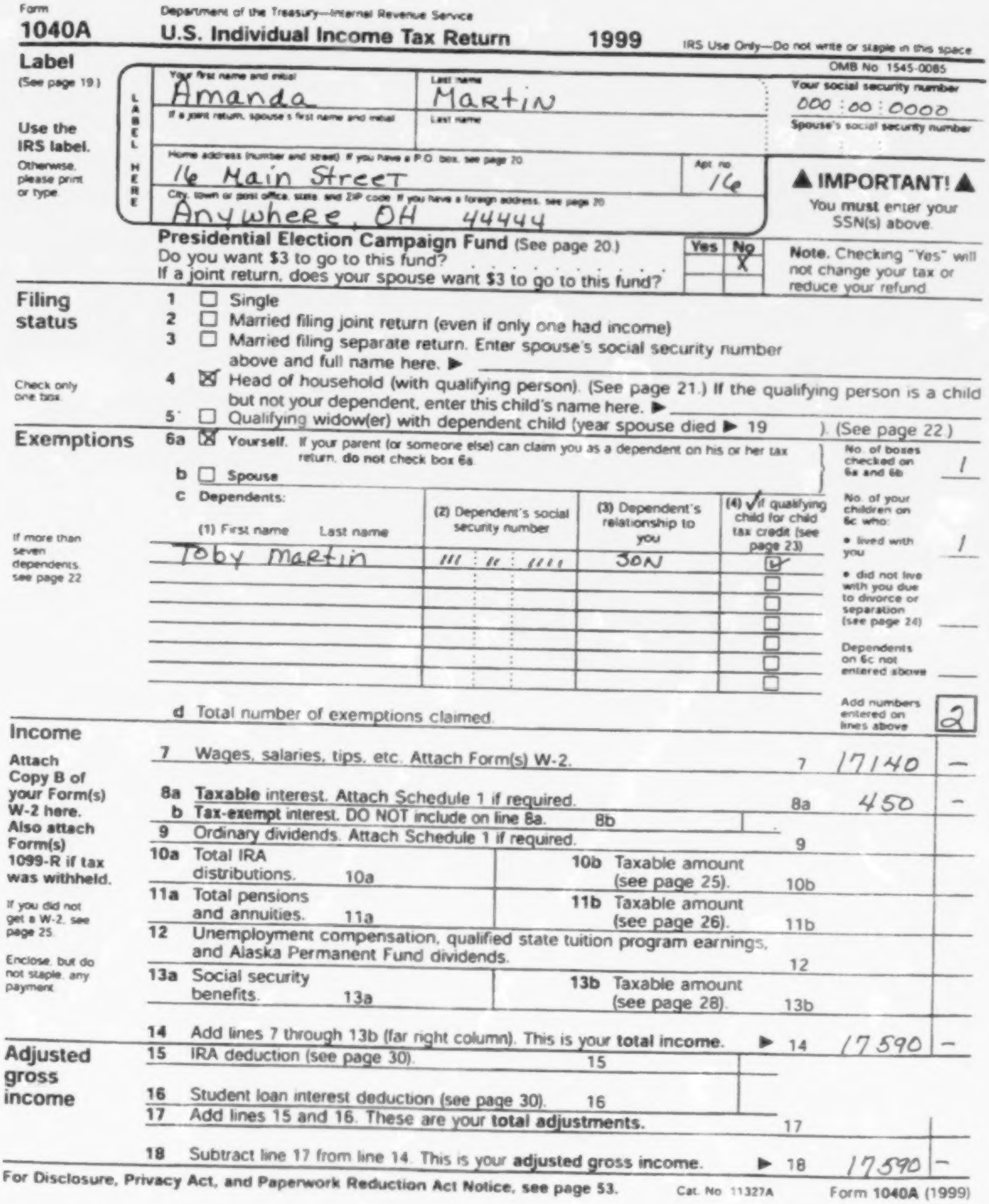
Becoming Taxwise—Lesson 3-B

Figure 7
Earned Income Tax Credit

	No children	One child	Two or more children
Maximum credit	$347	$2,312	$3,816

Becoming Taxwise—Lesson 3-B

Form 1040A (page 1) for Amanda Martin



Form **1040A** Department of the Treasury—Internal Revenue Service **U.S. Individual Income Tax Return** **1999** IRS Use Only—Do not write or staple in this space

OMB No. 1545-0085

Label (See page 19.)

Use the IRS label. Otherwise, please print or type.

LABEL HERE

Your first name and initial: Amanda | Last name: Martin | Your social security number: 000 : 00 : 0000

If a joint return, spouse's first name and initial | Last name | Spouse's social security number

Home address (number and street). If you have a P.O. box, see page 20.: 16 Main Street | Apt. no.: 16

City, town or post office, state, and ZIP code. If you have a foreign address, see page 20.: Anywhere, OH 44444

▲ IMPORTANT! ▲ You **must** enter your SSN(s) above.

Presidential Election Campaign Fund (See page 20.)

	Yes	No
Do you want $3 to go to this fund?		X
If a joint return, does your spouse want $3 to go to this fund?		

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing status

Check only one box.

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and full name here. ▶
4 ☒ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 22.)

Exemptions

6a ☒ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a.
b ☐ **Spouse**

No. of boxes checked on 6a and 6b: 1

c **Dependents:**

If more than seven dependents, see page 22.

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 23)
Toby Martin	111 : 11 : 1111	SON	☑
			☐
			☐
			☐
			☐
			☐
			☐

No. of your children on 6c who:
- lived with you: 1
- did not live with you due to divorce or separation (see page 24)

Dependents on 6c not entered above

Add numbers entered on lines above: 2

d Total number of exemptions claimed.

Income

Attach Copy B of your Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 25.

Enclose, but do not staple, any payment.

7	Wages, salaries, tips, etc. Attach Form(s) W-2.		7	17140 –
8a	**Taxable** interest. Attach Schedule 1 if required.		8a	450 –
b	**Tax-exempt** interest. DO NOT include on line 8a.	8b		
9	Ordinary dividends. Attach Schedule 1 if required.		9	
10a	Total IRA distributions. 10a	10b Taxable amount (see page 25).	10b	
11a	Total pensions and annuities. 11a	11b Taxable amount (see page 26).	11b	
12	Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends.		12	
13a	Social security benefits. 13a	13b Taxable amount (see page 28).	13b	
14	Add lines 7 through 13b (far right column). This is your **total income.** ▶		14	17590 –

Adjusted gross income

15	IRA deduction (see page 30).	15		
16	Student loan interest deduction (see page 30).	16		
17	Add lines 15 and 16. These are your **total adjustments.**		17	
18	Subtract line 17 from line 14. This is your **adjusted gross income.** ▶		18	17590 –

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 53. Cat. No. 11327A Form **1040A** (1999)

Becoming Taxwise—Lesson 3-B

Form 1040A (page 2) for Amanda Martin

Form 1040A (1999) Amanda Martin Page 2

Taxable income	19	Enter the amount from line 18.			19	17590 –
	20a	Check if: ☐ You were 65 or older ☐ Blind ☐ **Spouse** was 65 or older ☐ Blind **Enter number of boxes checked** ▶ 20a ☐				
	b	If you are married filing separately and your spouse itemizes deductions, see page 32 and check here . . . . . . ▶ 20b ☐				
	21	Enter the **standard deduction** for your filing status. **But** see page 33 if you checked any box on line 20a or 20b **OR** if someone can claim you as a dependent. • Single—$4,300 • Married filing jointly or Qualifying widow(er)—$7,200 • Head of household—$6,350 • Married filing separately—$3,600			21	6350 –
	22	Subtract line 21 from line 19. If line 21 is more than line 19, enter -0-.			22	11240 –
	23	Multiply $2,750 by the total number of exemptions claimed on line 6d.			23	5500 –
	24	Subtract line 23 from line 22. If line 23 is more than line 22, enter -0-. This is your **taxable income.** ▶			24	5740 –
Tax, credits, and payments	25	Find the tax on the amount on line 24 (see page 34).			25	859 –
	26	Credit for child and dependent care expenses. Attach Schedule 2.	26	182 –		
	27	Credit for the elderly or the disabled. Attach Schedule 3.	27			
	28	Child tax credit (see page 35).	28	500 –		
	29	Education credits. Attach Form 8863.	29			
	30	Adoption credit. Attach Form 8839.	30			
	31	Add lines 26 through 30. These are your **total credits.**			31	682 –
	32	Subtract line 31 from line 25. If line 31 is more than line 25, enter -0-.			32	177 –
	33	Advance earned income credit payments from Form(s) W-2.			33	
	34	Add lines 32 and 33. This is your **total tax.** ▶			34	177 –
	35	Total Federal income tax withheld from Forms W-2 and 1099.	35	2090 –		
	36	1999 estimated tax payments and amount applied from 1998 return.	36			
	37a	**Earned income credit.** Attach Schedule EIC if you have a qualifying child.	37a	1422 –		
	b	Nontaxable earned income: amount ▶ and type ▶				
	38	Additional child tax credit. Attach Form 8812.	38			
	39	Add lines 35, 36, 37a, and 38. These are your **total payments.** ▶			39	3512 –
Refund Have it directly deposited! See page 47 and fill in 41b, 41c, and 41d.	40	If line 39 is more than line 34, subtract line 34 from line 39. This is the amount you **overpaid.**			40	3340 –
	41a	Amount of line 40 you want **refunded to you.**			41a	3340 –
	▶ b	Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings				
	▶ d	Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐				
	42	Amount of line 40 you want **applied to your 2000 estimated tax.**	42			
Amount you owe	43	If line 34 is more than line 39, subtract line 39 from line 34. This is the **amount you owe.** For details on how to pay, see page 48.			43	
	44	Estimated tax penalty (see page 48).	44			

Sign here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Joint return? See page 20. Keep a copy for your records.

Your signature Amanda Martin	Date 3/10/00	Your occupation Clerk	Daytime telephone number (optional) (440) 555-5555
Spouse's signature. If joint return, BOTH must sign.	Date	Spouse's occupation	[redacted]

Paid preparer's use only

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶			EIN ZIP code

Form **1040A** (1999)

Becoming Taxwise—Lesson 3-B

Form 1040A (page 1) for Fred Stiles

Form **1040A** Department of the Treasury—Internal Revenue Service
U.S. Individual Income Tax Return **1999** IRS Use Only—Do not write or staple in this space.
OMB No. 1545-0085

Label (See page 19.)
Use the IRS label. Otherwise, please print or type.
LABEL HERE

Your first name and initial: FRED Last name: STILES
If a joint return, spouse's first name and initial: SARAH Last name: STILES
Home address (number and street). If you have a P.O. box, see page 20: 666 South Ave Apt. no.
City, town or post office, state, and ZIP code. If you have a foreign address, see page 20: HappytowN, MI 67820

▲ IMPORTANT! ▲ You **must** enter your SSN(s) above.

Presidential Election Campaign Fund (See page 20.)
Do you want $3 to go to this fund? Yes ☒ No ☐
If a joint return, does your spouse want $3 to go to this fund? Yes ☒ No ☐
Note. Checking "Yes" will not change your tax or reduce your refund.

Filing status
1 ☐ Single
2 ☒ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security number above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See page 21.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 22.)
Check only one box

Exemptions
6a ☒ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a.
b ☒ **Spouse**
No. of boxes checked on 6a and 6b: 2

c **Dependents:**
If more than seven dependents, see page 22

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 23)
Katherine Stiles	111 82 2333	daughter	☑
Joshua Stiles	112 83 4444	Son	

No. of your children on 6c who:
- lived with you: 2
- did not live with you due to divorce or separation (see page 24)

Dependents on 6c not entered above

d Total number of exemptions claimed. Add numbers entered on lines above: 4

Income
Attach Copy B of your Form(s) W-2 here. Also attach Form(s) 1099-R if tax was withheld.
If you did not get a W-2, see page 25
Enclose, but do not staple, any payment

7 Wages, salaries, tips, etc. Attach Form(s) W-2. 7 10,800
8a **Taxable** interest. Attach Schedule 1 if required. 8a 200
b **Tax-exempt** interest. DO NOT include on line 8a. 8b
9 Ordinary dividends. Attach Schedule 1 if required. 9
10a Total IRA distributions. 10a 10b Taxable amount (see page 25). 10b
11a Total pensions and annuities. 11a 11b Taxable amount (see page 26). 11b
12 Unemployment compensation, qualified state tuition program earnings, and Alaska Permanent Fund dividends. 12
13a Social security benefits. 13a 13b Taxable amount (see page 28). 13b
14 Add lines 7 through 13b (far right column). This is your **total income.** ▶ 14 10,400

Adjusted gross income
15 IRA deduction (see page 30). 15
16 Student loan interest deduction (see page 30). 16
17 Add lines 15 and 16. These are your **total adjustments.** 17
18 Subtract line 17 from line 14. This is your **adjusted gross income.** ▶ 18 10,400 —

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 53. Cat. No. 11327A

Becoming Taxwise—Lesson 3-B

Form 1040A (page 2) for Fred Stiles

Form 1040A (1999) Stiles Page 2

Taxable income	19	Enter the amount from line 18.			19	10400 –
	20a	Check if: ☐ You were 65 or older ☐ Blind ☐ Spouse was 65 or older ☐ Blind Enter number of boxes checked ▶ 20a ☐				
	b	If you are married filing separately and your spouse itemizes deductions, see page 32 and check here ▶ 20b ☐				
	21	Enter the **standard deduction** for your filing status. But see page 33 if you checked any box on line 20a or 20b OR if someone can claim you as a dependent. • Single—$4,300 • Married filing jointly or Qualifying widow(er)—$7,200 • Head of household—$6,350 • Married filing separately—$3,600			21	7200 –
	22	Subtract line 21 from line 19. If line 21 is more than line 19, enter -0-.			22	3200 –
	23	Multiply $2,750 by the total number of exemptions claimed on line 6d.			23	11000
		Subtract line 23 from line 22. If line 23 is more than line 22, enter -0-. This is your **taxable income.** ▶			24	0
Tax, credits, and payments	25	Find the tax on the amount on line 24 (see page 34).			25	0
	26	Credit for child and dependent care expenses. Attach Schedule 2.	26			
	27	Credit for the elderly or the disabled. Attach Schedule 3.	27			
	28	Child tax credit (see page 35).				
		Education credits. Attach Form 8863.				
		Adoption credit. Attach Form 8839.				
		Add lines 26 through 30. These are your **total credits.**			31	
		Subtract line 31 from line 25. If line 31 is more than line 25, enter -0-.				
		Advance earned income credit payments from Form(s) W-2.				
		Add lines 32 and 33. This is your **total tax.**				0
		Total Federal income tax withheld from Forms W-2 and 1099.	35	300		
	36	1999 estimated tax payments and amount applied from 1998 return.	36			
	37a	**Earned income credit.** Attach Schedule EIC if you have a qualifying child.	37a	3816		
	b	Nontaxable earned income: amount ▶ and type ▶				
	38	Additional child tax credit. Attach Form 8812.	38			
	39	Add lines 35, 36, 37a, and 38. These are your **total payments.** ▶			39	3816 –
Refund Have it directly deposited! See page 47 and fill in 41b, 41c, and 41d.	40	If line 39 is more than line 34, subtract line 34 from line 39. This is the amount you **overpaid.**			40	3816 –
	41a	Amount of line 40 you want **refunded to you.**			41a	3816 –
	▶ b	Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings				
	▶ d	Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐				
	42	Amount of line 40 you want applied to your **2000 estimated tax.**	42			
Amount you owe	43	If line 34 is more than line 39, subtract line 39 from line 34. This is the **amount you owe.** For details on how to pay, see page 48.			43	
	44	Estimated tax penalty (see page 48).	44			

Sign here

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and accurately list all amounts and sources of income I received during the tax year. Declaration of preparer (other than the taxpayer) is based on all information of which the preparer has any knowledge.

Joint return? See page 20. Keep a copy for your records. ▶

Your signature Fred Stiles	Date 4/8/00	Your occupation Laborer	Daytime telephone number (optional)
Spouse's signature. If joint return, BOTH must sign.	Date 4/8/00	Spouse's occupation mother	

Paid preparer's use only

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶			EIN :

Form 1040A (1999)

Becoming Taxwise—Lesson 4-B

Form 1040 (part I) for Spencer Lewis

Form **1040** Department of the Treasury- Internal Revenue Service
U.S. Individual Income Tax Return **1999** (99) IRS Use Only- Do not write or staple in this space
For the year Jan. 1-Dec. 31, 1999, or other tax year beginning , 1999, ending OMB No. 1545-0074

Label (See instructions on page 18.)
Use the IRS label. Otherwise, please print or type.
LABEL HERE

Your first name and initial: Spencer
Last name: Lewis
Your social security number: 444 22 3333
If a joint return, spouse's first name and initial:
Last name:
Spouse's social security number:
Home address (number and street). If you have a P.O. box, see page 18: 12-64th Ave
Apt. no.: 12B
City, town or post office, state, and ZIP code. If you have a foreign address, see page 18: Columbus NM 12222

▲ **IMPORTANT!** ▲ You must enter your SSN(s) above

Presidential Election Campaign (See page 18.)

	Yes	No
Do you want $3 to go to this fund?	☐	☒
If a joint return, does your spouse want $3 to go to this fund?	☐	☐

Note. Checking "Yes" will not change your tax or reduce your refund

Filing Status

Check only one box

1 ☒ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here ▶
4 ☐ Head of household (with qualifying person). (See page 18.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 18.)

Exemptions

6a ☒ **Yourself.** If your parent (or someone else) can claim you as a dependent on his or her tax return, **do not** check box 6a
b ☐ **Spouse**
c **Dependents:**

(1) First name Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4)✓ if qualifying child for child tax credit (see page 19)
			☐
			☐
			☐
			☐
			☐
			☐

If more than six dependents, see page 19.

d Total number of exemptions claimed

No. of boxes checked on 6a and 6b: 1
No. of your children on 6c who:
- lived with you
- did not live with you due to divorce or separation (see page 19)

Dependents on 6c not entered above
Add numbers entered on lines above ▶ 1

Income

Attach Copy B of your Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 20.

Enclose, but do not staple, any payment. Also, please use Form 1040-V.

7	Wages, salaries, tips, etc. Attach Form(s) W-2		7	16062	–
8a	**Taxable** interest. Attach Schedule B if required		8a	161	–
b	**Tax-exempt** interest. DO NOT include on line 8a	8b			
9	Ordinary dividends. Attach Schedule B if required		9		
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 21)		10		
11	Alimony received		11		
12	Business income or (loss). Attach Schedule C or C-EZ		12		
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐		13		
14	Other gains or (losses). Attach Form 4797		14		
15a	Total IRA distributions	15a	b Taxable amount (see page 22) 15b		
16a	Total pensions and annuities	16a	b Taxable amount (see page 22) 16b		
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		17		
18	Farm income or (loss). Attach Schedule F		18		
19	Unemployment compensation		19		
20a	Social security benefits	20a	b Taxable amount (see page 24) 20b		
21	Other income. List type and amount (see page 24)		21		
22	Add the amounts in the far right column for lines 7 through 21. This is your **total income** ▶		22	16223	–

Adjusted Gross Income

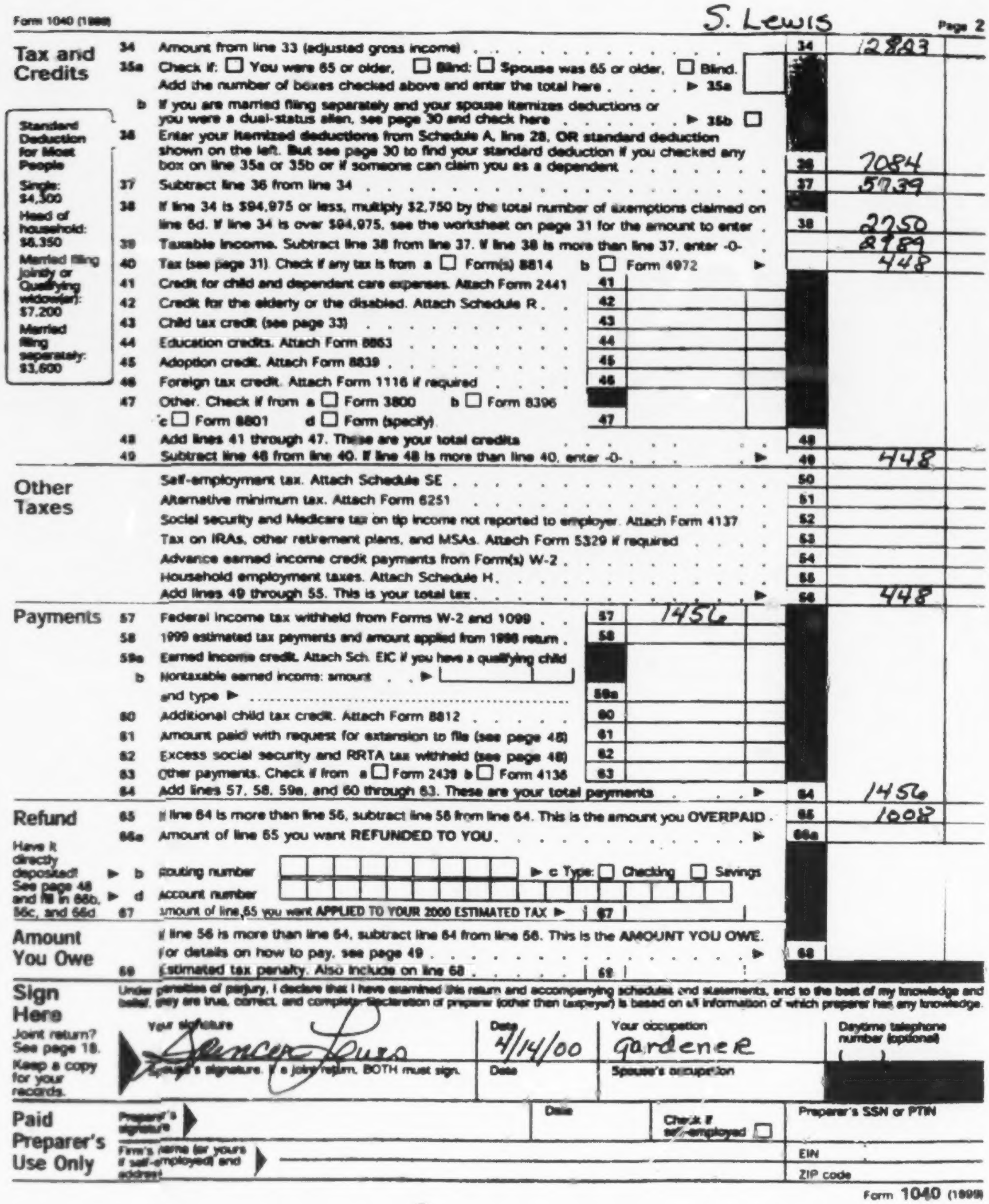
23	IRA deduction (see page 26)	23	1000	–
24	Student loan interest deduction (see page 26)	24		
25	Medical savings account deduction. Attach Form 8853	25		
26	Moving expenses. Attach Form 3903	26		
27	One-half of self-employment tax. Attach Schedule SE	27		
28	Self-employed health insurance deduction (see page 28)	28		
29	Keogh and self-employed SEP and SIMPLE plans	29		
30	Penalty on early withdrawal of savings	30		
31a	Alimony paid b Recipient's SSN ▶ 777 11 2222	31a	2400	

32	Add lines 23 through 31a	32	3400
33	Subtract line 32 from line 22. This is your **adjusted gross income** ▶	33	12823

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 54. Cat. No. 11320B Form **1040** (1999)

Becoming Taxwise—Lesson 4-B

Form 1040 (part II) for Spencer Lewis



Form 1040 (1999) S. Lewis Page 2

Tax and Credits

Standard Deduction for Most People
Single: $4,300
Head of household: $6,350
Married filing jointly or Qualifying widow(er): $7,200
Married filing separately: $3,600

34	Amount from line 33 (adjusted gross income)			34	12823
35a	Check if: ☐ You were 65 or older, ☐ Blind; ☐ Spouse was 65 or older, ☐ Blind. Add the number of boxes checked above and enter the total here ▶ 35a				
b	If you are married filing separately and your spouse itemizes deductions or you were a dual-status alien, see page 30 and check here ▶ 35b ☐				
36	Enter your **itemized deductions** from Schedule A, line 28, OR standard deduction shown on the left. But see page 30 to find your standard deduction if you checked any box on line 35a or 35b or if someone can claim you as a dependent			36	7084
37	Subtract line 36 from line 34			37	5739
38	If line 34 is $94,975 or less, multiply $2,750 by the total number of exemptions claimed on line 6d. If line 34 is over $94,975, see the worksheet on page 31 for the amount to enter			38	2750
39	**Taxable income.** Subtract line 38 from line 37. If line 38 is more than line 37, enter -0-				2989
40	Tax (see page 31). Check if any tax is from a ☐ Form(s) 8814 b ☐ Form 4972 ▶				448
41	Credit for child and dependent care expenses. Attach Form 2441	41			
42	Credit for the elderly or the disabled. Attach Schedule R	42			
43	Child tax credit (see page 33)	43			
44	Education credits. Attach Form 8863	44			
45	Adoption credit. Attach Form 8839	45			
46	Foreign tax credit. Attach Form 1116 if required	46			
47	Other. Check if from a ☐ Form 3800 b ☐ Form 8396 c ☐ Form 8801 d ☐ Form (specify)	47			
48	Add lines 41 through 47. These are your total credits			48	
49	Subtract line 48 from line 40. If line 48 is more than line 40, enter -0- ▶			49	448

Other Taxes

	Self-employment tax. Attach Schedule SE			50	
	Alternative minimum tax. Attach Form 6251			51	
	Social security and Medicare tax on tip income not reported to employer. Attach Form 4137			52	
	Tax on IRAs, other retirement plans, and MSAs. Attach Form 5329 if required			53	
	Advance earned income credit payments from Form(s) W-2			54	
	Household employment taxes. Attach Schedule H			55	
	Add lines 49 through 55. This is your total tax ▶			56	448

Payments

57	Federal income tax withheld from Forms W-2 and 1099	57	1456		
58	1999 estimated tax payments and amount applied from 1998 return	58			
59a	Earned income credit. Attach Sch. EIC if you have a qualifying child				
b	Nontaxable earned income: amount ▶ and type ▶	59a			
60	Additional child tax credit. Attach Form 8812	60			
61	Amount paid with request for extension to file (see page 48)	61			
62	Excess social security and RRTA tax withheld (see page 48)	62			
63	Other payments. Check if from a ☐ Form 2439 b ☐ Form 4136	63			
64	Add lines 57, 58, 59a, and 60 through 63. These are your total payments ▶			64	1456

Refund

Have it directly deposited! See page 48 and fill in 66b, 66c, and 66d

65	If line 64 is more than line 56, subtract line 56 from line 64. This is the amount you OVERPAID			65	1008
66a	Amount of line 65 you want **REFUNDED TO YOU** ▶			66a	
▶ b	Routing number ☐☐☐☐☐☐☐☐☐ ▶ c Type: ☐ Checking ☐ Savings				
▶ d	Account number ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐				
67	Amount of line 65 you want **APPLIED TO YOUR 2000 ESTIMATED TAX** ▶	67			

Amount You Owe

	If line 56 is more than line 64, subtract line 64 from line 56. This is the **AMOUNT YOU OWE**. For details on how to pay, see page 49 ▶			68	
69	Estimated tax penalty. Also include on line 68	69			

Sign Here

Joint return? See page 18. Keep a copy for your records.

Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Your signature Spencer Lewis	Date 4/14/00	Your occupation Gardener	Daytime telephone number (optional) ( )
Spouse's signature. If a joint return, BOTH must sign.	Date	Spouse's occupation	

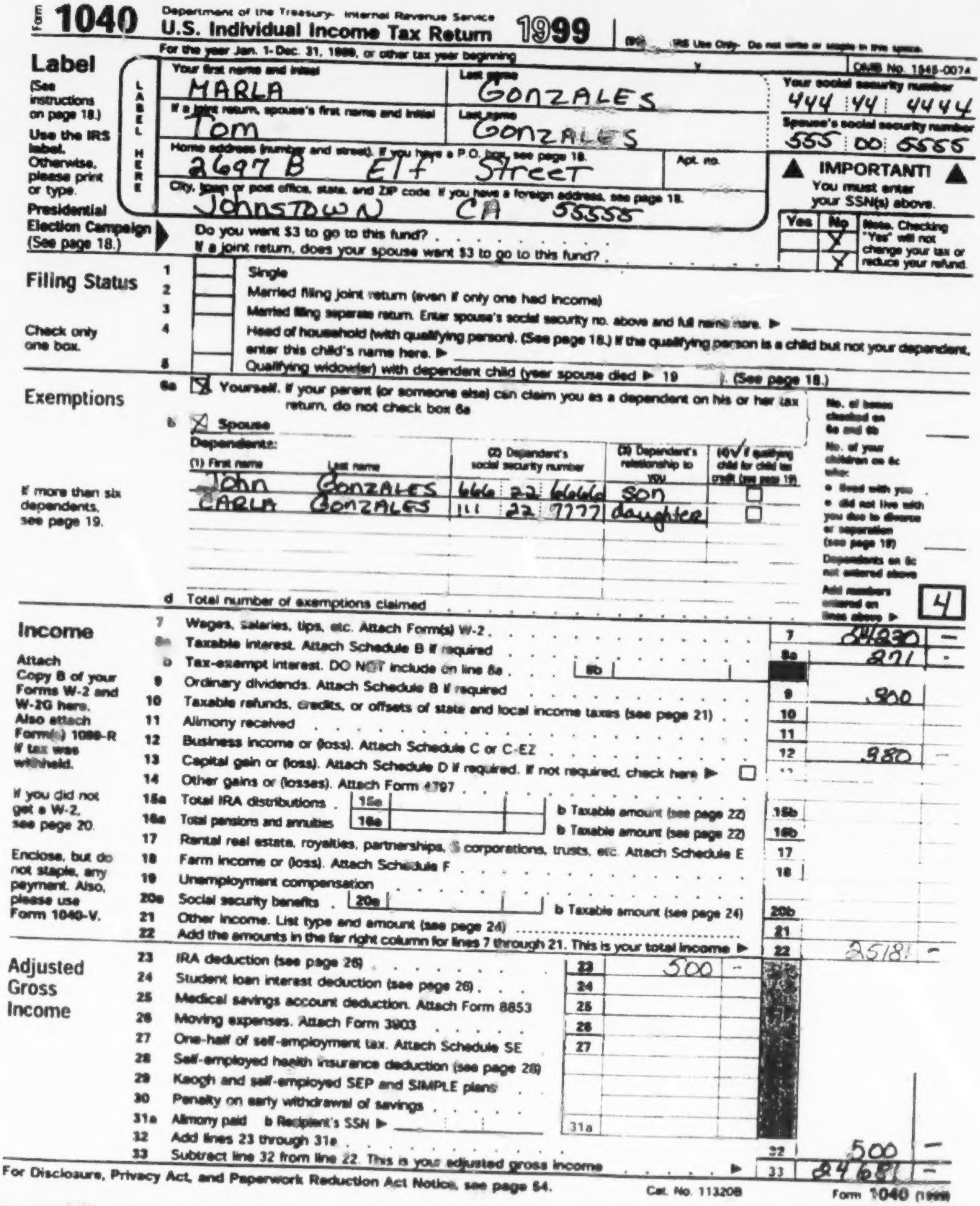
Paid Preparer's Use Only

Preparer's signature ▶	Date	Check if self-employed ☐	Preparer's SSN or PTIN
Firm's name (or yours if self-employed) and address ▶			EIN
			ZIP code

Form **1040** (1999)

Becoming Taxwise—Lesson 4-B

Form 1040 (part I) for Marla & Tom Gonzales



Form **1040** Department of the Treasury- Internal Revenue Service
U.S. Individual Income Tax Return **1999** | (99) IRS Use Only- Do not write or staple in this space.

For the year Jan. 1-Dec. 31, 1999, or other tax year beginning , 1999, ending , 19 | OMB No. 1545-0074

Label (See instructions on page 18.) Use the IRS label. Otherwise, please print or type. LABEL HERE

Your first name and initial: MARLA | Last name: GONZALES | Your social security number: 444 44 4444

If a joint return, spouse's first name and initial: Tom | Last name: GONZALES | Spouse's social security number: 555 00 6555

Home address (number and street). If you have a P.O. box, see page 18.: 2697 B Elf Street | Apt. no.

City, town or post office, state, and ZIP code. If you have a foreign address, see page 18.: Johnstown CA 55555

▲ IMPORTANT! ▲ You must enter your SSN(s) above.

Presidential Election Campaign (See page 18.)

	Yes	No
Do you want $3 to go to this fund?	☐	☒
If a joint return, does your spouse want $3 to go to this fund?	☐	☒

Note. Checking "Yes" will not change your tax or reduce your refund.

Filing Status

Check only one box.

1 ☐ Single
2 ☐ Married filing joint return (even if only one had income)
3 ☐ Married filing separate return. Enter spouse's social security no. above and full name here. ▶
4 ☐ Head of household (with qualifying person). (See page 18.) If the qualifying person is a child but not your dependent, enter this child's name here. ▶
5 ☐ Qualifying widow(er) with dependent child (year spouse died ▶ 19). (See page 18.)

Exemptions

6a ☒ Yourself. If your parent (or someone else) can claim you as a dependent on his or her tax return, do not check box 6a
b ☒ Spouse
c Dependents:

(1) First name	Last name	(2) Dependent's social security number	(3) Dependent's relationship to you	(4) ✓ if qualifying child for child tax credit (see page 19)
John	GONZALES	666 22 6666	son	☐
CARLA	GONZALES	111 22 7777	daughter	☐

If more than six dependents, see page 19.

No. of boxes checked on 6a and 6b
No. of your children on 6c who: • lived with you • did not live with you due to divorce or separation (see page 19)
Dependents on 6c not entered above
Add numbers entered on lines above ▶ 4

d Total number of exemptions claimed

Income

Attach Copy B of your Forms W-2 and W-2G here. Also attach Form(s) 1099-R if tax was withheld.

If you did not get a W-2, see page 20.

Enclose, but do not staple, any payment. Also, please use Form 1040-V.

7	Wages, salaries, tips, etc. Attach Form(s) W-2	7	23630 —
8a	Taxable interest. Attach Schedule B if required	8a	271 .
b	Tax-exempt interest. DO NOT include on line 8a . . . 8b		
9	Ordinary dividends. Attach Schedule B if required	9	300
10	Taxable refunds, credits, or offsets of state and local income taxes (see page 21)	10	
11	Alimony received	11	
12	Business income or (loss). Attach Schedule C or C-EZ	12	980 —
13	Capital gain or (loss). Attach Schedule D if required. If not required, check here ▶ ☐	13	
14	Other gains or (losses). Attach Form 4797	14	
15a	Total IRA distributions 15a · b Taxable amount (see page 22)	15b	
16a	Total pensions and annuities 16a · b Taxable amount (see page 22)	16b	
17	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	17	
18	Farm income or (loss). Attach Schedule F	18	
19	Unemployment compensation	19	
20a	Social security benefits 20a · b Taxable amount (see page 24)	20b	
21	Other income. List type and amount (see page 24)	21	
22	Add the amounts in the far right column for lines 7 through 21. This is your total income ▶	22	25181 —

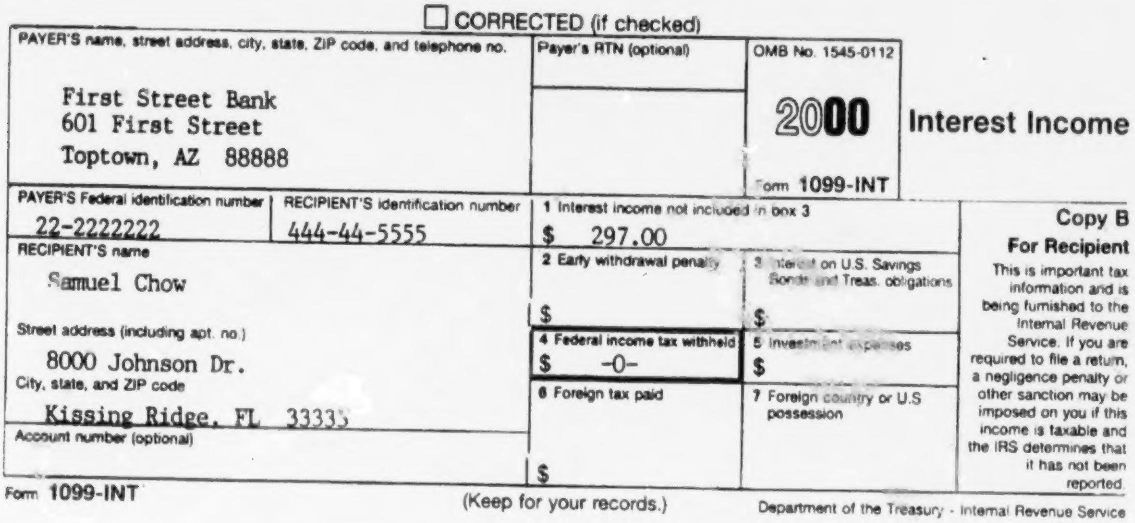
Adjusted Gross Income

23	IRA deduction (see page 26)	23	500 —
24	Student loan interest deduction (see page 26)	24	
25	Medical savings account deduction. Attach Form 8853	25	
26	Moving expenses. Attach Form 3903	26	
27	One-half of self-employment tax. Attach Schedule SE	27	
28	Self-employed health insurance deduction (see page 28)	28	
29	Keogh and self-employed SEP and SIMPLE plans	29	
30	Penalty on early withdrawal of savings	30	
31a	Alimony paid b Recipient's SSN ▶	31a	
32	Add lines 23 through 31a	32	500 —
33	Subtract line 32 from line 22. This is your adjusted gross income ▶	33	24681 —

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see page 54. Cat. No. 11320B Form **1040** (1999)

Becoming Taxwise—Lesson 6

Form 1099-INT for Samuel Chow



☐ CORRECTED (if checked)

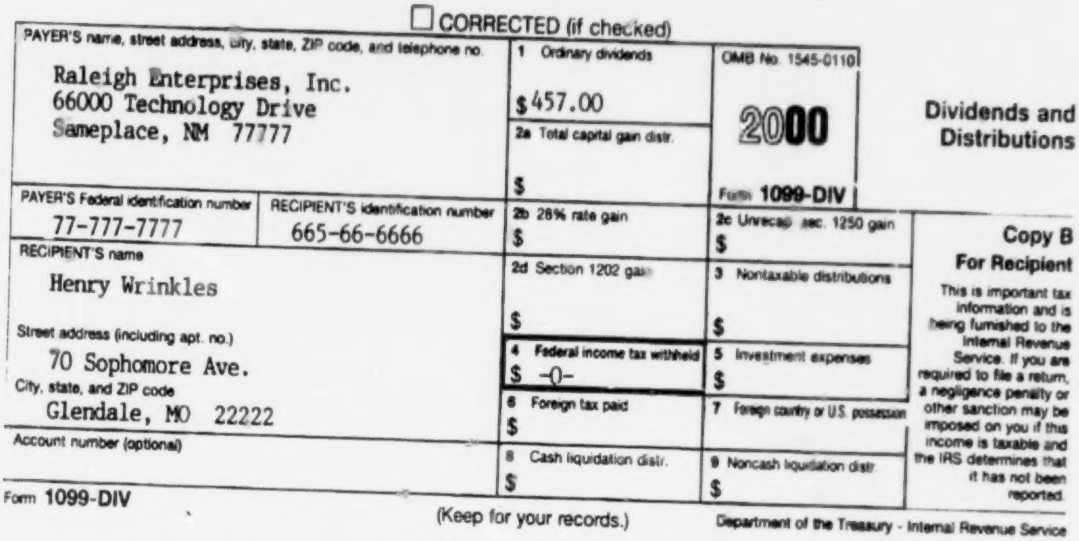
PAYER'S name, street address, city, state, ZIP code, and telephone no. First Street Bank 601 First Street Toptown, AZ 88888	Payer's RTN (optional)	OMB No. 1545-0112 **2000** Form **1099-INT**	**Interest Income**
PAYER'S Federal identification number 22-2222222	RECIPIENT'S identification number 444-44-5555	1 Interest income not included in box 3 $ 297.00	**Copy B** **For Recipient**
RECIPIENT'S name Samuel Chow		2 Early withdrawal penalty $	3 Interest on U.S. Savings Bonds and Treas. obligations $
Street address (including apt. no.) 8000 Johnson Dr.		4 Federal income tax withheld $ -0-	5 Investment expenses $
City, state, and ZIP code Kissing Ridge, FL 33333		6 Foreign tax paid $	7 Foreign country or U.S possession
Account number (optional)			

This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.

Form **1099-INT** (Keep for your records.) Department of the Treasury - Internal Revenue Service

Becoming Taxwise—Lesson 6

Form 1099-DIV for Henry Wrinkles



☐ CORRECTED (if checked)

PAYER'S name, street address, city, state, ZIP code, and telephone no. Raleigh Enterprises, Inc. 66000 Technology Drive Sameplace, NM 77777		1 Ordinary dividends $457.00	OMB No. 1545-0110 2000 Form 1099-DIV	**Dividends and Distributions**
		2a Total capital gain distr. $		
PAYER'S Federal identification number 77-777-7777	RECIPIENT'S identification number 665-66-6666	2b 28% rate gain $	2c Unrecap. sec. 1250 gain $	**Copy B** **For Recipient** This is important tax information and is being furnished to the Internal Revenue Service. If you are required to file a return, a negligence penalty or other sanction may be imposed on you if this income is taxable and the IRS determines that it has not been reported.
RECIPIENT'S name Henry Wrinkles		2d Section 1202 gain $	3 Nontaxable distributions $	
Street address (including apt. no.) 70 Sophomore Ave.		4 Federal income tax withheld $ -0-	5 Investment expenses $	
City, state, and ZIP code Glendale, MO 22222		6 Foreign tax paid $	7 Foreign country or U.S. possession	
Account number (optional)		8 Cash liquidation distr. $	9 Noncash liquidation distr. $	

Form 1099-DIV (Keep for your records.) Department of the Treasury - Internal Revenue Service

Becoming Taxwise—Lesson 7

Schedule C for Sara Musso

SCHEDULE C
(Form 1040)
Department of the Treasury
Internal Revenue Service (99)

Profit or Loss From Business
(Sole Proprietorship)
▶ **Partnerships, joint ventures, etc., must file Form 1065 or Form 1065-B.**
▶ **Attach to Form 1040 or Form 1041.** ▶ **See Instructions for Schedule C (Form 1040).**

OMB No. 1545-0074
1999
Attachment Sequence No. **09**

Name of proprietor: SARA MUSSO

Social security number (SSN): 111 11 112

A Principal business or profession, including product or service (see page C-1): EDUCATIONAL CONSULTANT

B Enter code from pages C-8 & 9 ▶ 611000

C Business name. If no separate business name, leave blank.

D Employer ID number (EIN), if any

E Business address (including suite or room no.) ▶ P.O. BOX 111
City, town or post office, state, and ZIP code: CLARENCE, ID 65544

F Accounting method (1) ☒ Cash (2) ☐ Accrual (3) ☐ Other (specify) ▶

G Did you "materially participate" in the operation of this business during 1999? If "No," see page C-2 for limit on losses ☒ Yes ☐ No

H If you started or acquired this business during 1999, check here ▶ ☐

Part I **Income**

1	Gross receipts or sales. **Caution:** *If this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked, see page C-2 and check here* ▶ ☐	1	14000	–
2	Returns and allowances	2	–	
3	Subtract line 2 from line 1	3	–	
4	Cost of goods sold (from line 42 on page 2)	4	–	
5	**Gross profit.** Subtract line 4 from line 3	5	14000	–
6	Other income, including Federal and state gasoline or fuel tax credit or refund (see page C-3)	6		
7	**Gross income.** Add lines 5 and 6 ▶	7	14000	–

Part II **Expenses.** Enter expenses for business use of your home **only** on line 30.

8	Advertising	8	450	–
9	Bad debts from sales or services (see page C-3)	9		
10	Car and truck expenses (see page C-3)	10	290	–
11	Commissions and fees	11	730	–
12	Depletion	12		
13	Depreciation and section 179 expense deduction (not included in Part III) (see page C-3)	13		
14	Employee benefit programs (other than on line 19)	14		
15	Insurance (other than health)	15		
16	Interest			
a	Mortgage (paid to banks, etc.)	16a		
b	Other	16b		
17	Legal and professional services	17	400	–
18	Office expense	18	1100	–

19	Pension and profit-sharing plans			19		
20	Rent or lease (see page C-4):					
a	Vehicles, machinery, and equipment			20a		
b	Other business property			20b		
21	Repairs and maintenance			21		
22	Supplies (not included in Part III)			22		
23	Taxes and licenses			23		
24	Travel, meals, and entertainment:					
a	Travel			24a	780	–
b	Meals and entertainment	150	–			
c	Enter nondeductible amount included on line 24b (see page C-5)	75				
d	Subtract line 24c from line 24b			24d	75	–
25	Utilities			25		
26	Wages (less employment credits)			26		
27	Other expenses (from line 48 on page 2)			27	230	–

28	**Total expenses** before expenses for business use of home. Add lines 8 through 27 in columns ▶	28	4055	–
29	Tentative profit (loss). Subtract line 28 from line 7	29	9945	–
30	Expenses for business use of your home. **Attach Form 8829**	30	–	–
31	**Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on **Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3. • If a loss, you MUST go on to line 32.	31	9945	–

32 If you have a loss, check the box that describes your investment in this activity (see page C-6).
- If you checked 32a, **enter the loss on Form 1040, line 12,** and ALSO on **Schedule SE, line 2** (statutory employees, see page C-6). Estates and trusts, enter on Form 1041, line 3.
- If you checked 32b, you MUST attach **Form 6198.**

32a ☒ All investment is at risk.
32b ☐ Some investment is not at risk.

For Paperwork Reduction Act Notice, see Form 1040 instructions. Cat. No. 11334P **Schedule C (Form 1040) 1999**

Quick and Easy Access to Tax Help and Forms

Note. If you live outside the United States, see **Pub. 54** to find out how to get help and forms.

PERSONAL COMPUTER

You can access the IRS's Internet Web Site 24 hours a day, 7 days a week, at **www.irs.gov** to:

- Download Forms, Instructions, and Publications
- See Answers to Frequently Asked Tax Questions
- Search Publications On-Line by Topic or Keyword
- Figure Your Withholding Allowances Using our W-4 Calculator
- Send Us Comments or Request Help by E-Mail
- Sign up to Receive Local and National Tax News by E-Mail

You can also reach us using File Transfer Protocol at ftp.irs.gov

FAX

You can get over 100 of the most requested forms and instructions 24 hours a day, 7 days a week, by fax. Just call **703-368-9694** from the telephone connected to the fax machine.

MAIL

Send your order for forms, instructions, and publications to the IRS Distribution Center nearest you. You should receive your order within 10 days after we receive your request.

Western United States:	Western Area Distribution Center	Rancho Cordova, CA 95743-0001
Central United States:	Central Area Distribution Center	P.O. Box 8903 Bloomington, IL 61702-8903
Eastern United States or a foreign country:	Eastern Area Distribution Center	P.O. Box 85074 Richmond, VA 23261-5074

PHONE

You can get forms, publications, and automated information 24 hours a day, 7 days a week, by phone.

Forms and Publications

Call **1-800-TAX-FORM** (1-800-829-3676) to order current and prior year forms, instructions, and publications. You should receive your order within 10 days.

TeleTax Topics

Call **1-800-829-4477** to listen to pre-recorded messages covering about 150 tax topics. See page 7 for a list of the topics.

Refund Information

You can check the status of your 1999 refund using TeleTax's Refund Information service. See page 6.

WALK-IN

You can pick up some of the most requested forms, instructions, and publications at many IRS offices, post offices, and libraries. Some IRS offices and libraries have an extensive collection of products available to photocopy or print from a CD-ROM.

CD-ROM

Order **Pub. 1796,** Federal Tax Products on CD-ROM, and get:

- Current Year Forms, Instructions, and Publications
- Prior Year Forms, Instructions, and Publications
- Popular Tax Forms That May Be Filled in Electronically, Printed out for Submission, and Saved for Recordkeeping
- The Internal Revenue Bulletin

Buy the CD-ROM on the Internet at **www.irs.gov/cdorders** from the National Technical Information Service (NTIS) for $16 (plus a $5 handling fee), and save 30% or call **1-877-CDFORMS** (1-877-233-6767) toll free to buy the CD-ROM for $23 (plus a $5 handling fee).

Filing Requirements

These rules apply to all U.S. citizens, regardless of where they live, and resident aliens.

Do You Have To File?

Use **Chart A, B,** or **C** to see if you must file a return. U.S. citizens who lived in or had income from a U.S. possession should see **Pub. 570.** Residents of Puerto Rico can use TeleTax topic 901 (see page 10) to see if they must file.

TIP Even if you do not otherwise have to file a return, you should file one to get a refund of any Federal income tax withheld. You should also file if you are eligible for the earned income credit or the additional child tax credit.

Exception for Children Under Age 14

If you are planning to file a return for your child who was under age 14 on January 1, 2000, and certain other conditions apply, you may elect to report your child's income on your return. But you must use **Form 8814** to do so. If you make this election, your child does not have to file a return. For details, use TeleTax topic 553 (see page 10) or see Form 8814.

Nonresident Aliens and Dual-Status Aliens

These rules also apply to nonresident aliens and dual-status aliens who were married to U.S. citizens or residents at the end of 1999 and who have elected to be taxed as resident aliens. Other nonresident aliens and dual-status aliens have different filing requirements. They may have to file **Form 1040NR** or **Form 1040NR-EZ.** Specific rules apply to determine if you are a resident or nonresident alien. See **Pub. 519** for details, including the rules for students and scholars who are aliens.

When Should You File?

Not later than **April 17, 2000.** If you file after this date, you may have to pay penalties and interest. See page 53.

What if You Cannot File on Time?

You can get an automatic 4-month extension if, by April 17, 2000 you **either** file **Form 4868** or pay part or all of the tax you expect to owe for 1999 by phone using your credit card (American Express® Card, MasterCard®, or Discover® Card). For details on how to get an extension with your credit card, see Form 4868.

CAUTION Filing Form 4868 or paying by credit card does not extend the time to pay your income tax. See Form 4868.

If you are a U.S. citizen or resident, you may qualify for an automatic extension of time to file without filing Form 4868 or paying by credit card, if, on the due date of your return, you meet one of the following conditions:

- You live outside the United States and Puerto Rico, AND your main place of business or post of duty is outside the United States and Puerto Rico.
- You are in military or naval service on duty outside the United States and Puerto Rico.

This extension gives you an extra 2 months to file and pay the tax, but interest will be charged from the original due date of the return on any unpaid tax. You must attach a statement to your return showing that you meet the requirements.

Where Do You File?

See the back cover of this booklet for filing instructions and addresses. For details on using a private delivery service to mail your return or payment, see page 17.

Chart A—For Most People

IF your filing status is . . .	AND at the end of 1999 you were* . . .	THEN file a return if your gross income** was at least . . .
Single	under 65 65 or older	$7,050 8,100
Married filing jointly***	under 65 (both spouses) 65 or older (one spouse) 65 or older (both spouses)	$12,700 13,550 14,400
Married filing separately	any age	$2,750
Head of household (see page 18)	under 65 65 or older	$9,100 10,150
Qualifying widow(er) with dependent child (see page 18)	under 65 65 or older	$9,950 10,800

* *If you turned 65 on January 1, 2000, you are considered to be age 65 at the end of 1999.*

** *Gross income means all income you received in the form of money, goods, property, and services that is not exempt from tax including any income from sources outside the United States (even if you may exclude part or all of it). **Do not** include social security benefits unless you are married filing a separate return and you lived with your spouse at any time in 1999.*

*** *If you did not live with your spouse at the end of 1999 (or on the date your spouse died) and your gross income was at least $2,750, you must file a return regardless of your age.*

Chart B—For Children and Other Dependents (See the instructions for line 6c on page 19 to find out if someone can claim you as a dependent.)

If your parent (or someone else) can claim you as a dependent, use this chart to see if you must file a return.

In this chart, **unearned income** includes taxable interest, ordinary dividends, and capital gain distributions. **Earned income** includes wages, tips, and taxable scholarship and fellowship grants. **Gross income** is the total of your unearned and earned income.

CAUTION If your gross income was $2,750 or more, you usually cannot be claimed as a dependent unless you were under age 19 or a student under age 24. For details, see **Pub. 501.**

Single dependents. Were you **either** age 65 or older **or** blind?

☐ **No.** You must file a return if **any** of the following apply.
- Your **unearned income** was over $700.
- Your **earned income** was over $4,300.
- Your **gross income** was more than the **larger** of—
  - $700, or
  - Your earned income (up to $4,050) plus $250.

☐ **Yes.** You must file a return if **any** of the following apply.
- Your unearned income was over $1,750 ($2,800 if 65 or older **and** blind).
- Your earned income was over $5,350 ($6,400 if 65 or older **and** blind).
- Your gross income was more than—

The larger of:	**PLUS**	**This amount:**
• $700, or • Your earned income (up to $4,050) plus $250	}	$1,050 ($2,100 if 65 or older **and** blind)

Married dependents. Were you **either** age 65 or older **or** blind?

☐ **No.** You must file a return if **any** of the following apply.
- Your unearned income was over $700.
- Your earned income was over $3,600.
- Your gross income was at least $5 and your spouse files a separate return and itemizes deductions.
- Your gross income was more than the **larger** of—
  - $700, or
  - Your earned income (up to $3,350) plus $250.

☐ **Yes.** You must file a return if **any** of the following apply.
- Your unearned income was over $1,550 ($2,400 if 65 or older **and** blind).
- Your earned income was over $4,450 ($5,300 if 65 or older **and** blind).
- Your gross income was at least $5 and your spouse files a separate return and itemizes deductions.
- Your gross income was more than—

The larger of:	**PLUS**	**This amount:**
• $700, or • Your earned income (up to $3,350) plus $250	}	$850 ($1,700 if 65 or older **and** blind)

Chart C—Other Situations When You Must File

You must file a return if any of the four conditions below apply for 1999.

1. You owe any special taxes, such as:
   - Social security and Medicare tax on tips you did not report to your employer,
   - Uncollected social security and Medicare or RRTA tax on tips you reported to your employer or on group-term life insurance,
   - Alternative minimum tax,
   - Recapture taxes (see the instructions for line 40 on page 31 and line 56 on page 37), or
   - Tax on an individual retirement arrangement (IRA), other retirement plan, or on a medical savings account (MSA). But if you are filing a return only because you owe this tax, you can file **Form 5329** by itself.
2. You received any advance earned income credit (EIC) payments from your employer. These payments are shown in box 9 of your W-2 form.
3. You had net earnings from self-employment of at least $400.
4. You earned wages of $108.28 or more from a church or qualified church-controlled organization that is exempt from employer social security and Medicare taxes.

Where Do You File?

If an envelope addressed to "Internal Revenue Service Center" came with this booklet, please use it. If you do not have one or if you moved during the year, mail your return to the **Internal Revenue Service Center** shown that applies to you.

TIP Envelopes without enough postage will be returned to you by the post office. If your envelope contains more than five pages or is oversized, it may need additional postage. Also, include your complete return address.

	THEN use this address if you:	
IF you live in...	**Are requesting a refund...**	**Are not requesting a refund...**
Florida, Georgia, South Carolina	Internal Revenue Service Center Atlanta, GA 39901-0102	Internal Revenue Service Center Atlanta, GA 39901-0002
New Jersey, New York *(New York City and counties of Nassau, Rockland, Suffolk, and Westchester)*	Internal Revenue Service Center Holtsville, NY 00501-0102	Internal Revenue Service Center Holtsville, NY 00501-0002
New York *(all other counties),* Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont	Internal Revenue Service Center Andover, MA 05501-0102	Internal Revenue Service Center Andover, MA 05501-0002
Illinois, Iowa, Minnesota, Missouri, Wisconsin	Internal Revenue Service Center Kansas City, MO 64999-0102	Internal Revenue Service Center Kansas City, MO 64999-0002
Delaware, District of Columbia, Maryland, Pennsylvania, Virginia	Internal Revenue Service Center Philadelphia, PA 19255-0102	Internal Revenue Service Center Philadelphia, PA 19255-0002
Indiana, Kentucky, Michigan, Ohio, West Virginia	Internal Revenue Service Center Cincinnati, OH 45999-0102	Internal Revenue Service Center Cincinnati, OH 45999-0002
Kansas, New Mexico, Oklahoma, Texas	Internal Revenue Service Center Austin, TX 73301-0102	Internal Revenue Service Center Austin, TX 73301-0002
Alaska, Arizona, California *(counties of Alpine, Amador, Butte, Calaveras, Colusa, Contra Costa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Marin, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, San Joaquin, Shasta, Sierra, Siskiyou, Solano, Sonoma, Sutter, Tehama, Trinity, Yolo, and Yuba),* Colorado, Idaho, Montana, Nebraska, Nevada, North Dakota, Oregon, South Dakota, Utah, Washington, Wyoming	Internal Revenue Service Center Ogden, UT 84201-0102	Internal Revenue Service Center Ogden, UT 84201-0002
California *(all other counties),* Hawaii	Internal Revenue Service Center Fresno, CA 93888-0102	Internal Revenue Service Center Fresno, CA 93888-0002
Alabama, Arkansas, Louisiana, Mississippi, North Carolina, Tennessee	Internal Revenue Service Center Memphis, TN 37501-0102	Internal Revenue Service Center Memphis, TN 37501-0002
All APO and FPO addresses, American Samoa, nonpermanent residents of Guam or the Virgin Islands*, Puerto Rico *(or if excluding income under Internal Revenue Code section 933),* a foreign country: U.S. citizens and those filing Form 2555, 2555-EZ, or 4563	Internal Revenue Service Center Philadelphia, PA 19255-0215 USA	Internal Revenue Service Center Philadelphia, PA 19255-0215 USA

* Permanent residents of Guam should use: Department of Revenue and Taxation, Government of Guam, P.O. Box 23607, GMF, GU 96921; permanent residents of the Virgin Islands should use: V.I. Bureau of Internal Revenue, 9601 Estate Thomas, Charlotte Amalie, St. Thomas, VI 00802.

What Is TeleTax?

Call TeleTax at **1-800-829-4477** for:

Refund Information. Check the status of your 1999 refund.

Recorded Tax Information. There are about 150 topics that answer many Federal tax questions. You can listen to up to three topics on each call you make.

How Do You Use Tele-Tax?

Refund Information

Refund information is not available until at least 4 weeks after you file your return (3 weeks if you file electronically), and sometimes is not available for up to 6 weeks. Please wait at least 4 weeks from the date you filed before calling to check the status of your refund. Do not send in a copy of your return unless asked to do so.

Be sure to have a copy of your 1999 tax return available because you will need to know the first social security number shown on your return, the filing status, and the exact whole-dollar amount of your refund. Then, call **1-800-829-4477** and follow the recorded instructions.

The IRS updates refund information every 7 days, over the weekend. Refunds are sent out weekly, on Fridays. If you call to check the status of your refund and are not given the date it will be issued, please wait until the next week before calling back.

Recorded Tax Information

Recorded tax information is available 24 hours a day, 7 days a week. Select the number of the topic you want to hear. Then, call **1-800-829-4477.** Have paper and pencil handy to take notes.

Topics by Personal Computer

TeleTax topics are also available using a personal computer and modem (connect to **www.irs.gov**).

TeleTax Topics—All topics are available in Spanish

Topic No.	Subject
	IRS Help Available
101	IRS services—Volunteer tax assistance, toll-free telephone, walk-in assistance, and outreach programs
102	Tax assistance for individuals with disabilities and the hearing impaired
103	Small Business Tax Education Program (STEP)—Tax help for small businesses
104	Taxpayer Advocate Service—Help for problem situations
105	Public libraries—Tax information tapes and reproducible tax forms
	IRS Procedures
151	Your appeal rights
152	Refunds—How long they should take
153	What to do if you haven't filed your tax return (Nonfilers)
154	Form W-2—What to do if not received
155	Forms and Publications—How to order
156	Copy of your tax return—How to get one
157	Change of address—How to notify IRS
158	Ensuring proper credit of payments
	Collection
201	The collection process
202	What to do if you can't pay your tax
203	Failure to pay child support and other Federal obligations
204	Offers in compromise
205	Innocent spouse relief
	Alternative Filing Methods
251	Form 1040PC tax return
252	Electronic filing
253	Substitute tax forms
254	How to choose a tax preparer
255	TeleFile
	General Information
301	When, where, and how to file
302	Highlights of tax changes
303	Checklist of common errors when preparing your tax return
304	Extensions of time to file your tax return
305	Recordkeeping
306	Penalty for underpayment of estimated tax
307	Backup withholding
308	Amended returns
309	Roth IRA contributions
310	Education IRA contributions
311	Power of attorney information
	Filing Requirements, Filing Status, and Exemptions
351	Who must file?
352	Which form—1040, 1040A, or 1040EZ?
353	What is your filing status?
354	Dependents
355	Estimated tax
356	Decedents
	Types of Income
401	Wages and salaries
402	Tips
403	Interest received
404	Dividends
405	Refunds of state and local taxes
406	Alimony received
407	Business income
408	Sole proprietorship
409	Capital gains and losses
410	Pensions and annuities
411	Pensions—The general rule and the simplified method
412	Lump-sum distributions
413	Rollovers from retirement plans
414	Rental income and expenses
415	Renting vacation property and renting to relatives
416	Farming and fishing income
417	Earnings for clergy
418	Unemployment compensation
419	Gambling income and expenses
420	Bartering income

TeleTax Topics

(Continued)

Topic No.	Subject
421	Scholarship and fellowship grants
422	Nontaxable income
423	Social security and equivalent railroad retirement benefits
424	401(k) plans
425	Passive activities—Losses and credits
426	Other income
427	Stock options
428	Roth IRA distributions
	Adjustments to Income
451	Individual retirement arrangements (IRAs)
452	Alimony paid
453	Bad debt deduction
454	Tax shelters
455	Moving expenses
456	Student loan interest deduction
	Itemized Deductions
501	Should I itemize?
502	Medical and dental expenses
503	Deductible taxes
504	Home mortgage points
505	Interest expense
506	Contributions
507	Casualty losses
508	Miscellaneous expenses
509	Business use of home
510	Business use of car
511	Business travel expenses
512	Business entertainment expenses
513	Educational expenses
514	Employee business expenses
515	Disaster area losses
	Tax Computation
551	Standard deduction
552	Tax and credits figured by the IRS
553	Tax on a child's investment income
554	Self-employment tax
555	Five- or ten-year tax options for lump-sum distributions
556	Alternative minimum tax
557	Tax on early distributions from traditional and Roth IRAs
558	Tax on early distributions from retirement plans
	Tax Credits
601	Earned income credit (EIC)
602	Child and dependent care credit
603	Credit for the elderly or the disabled
604	Advance earned income credit
605	Education credits
606	Child tax credits
607	Adoption credit
608	Excess social security and RRTA tax withheld
	IRS Notices
651	Notices—What to do
652	Notice of underreported income—CP 2000
653	IRS notices and bills, penalty and interest charges
	Basis of Assets, Depreciation, and Sale of Assets
701	Sale of your home after May 6, 1997
702	Sale of your home before May 7, 1997
703	Basis of assets
704	Depreciation
705	Installment sales
	Employer Tax Information
751	Social security and Medicare withholding rates
752	Form W-2—Where, when, and how to file
753	Form W-4—Employee's Withholding Allowance Certificate
754	Form W-5—Advance earned income credit
755	Employer identification number (EIN)—How to apply
756	Employment taxes for household employees
757	Form 941—Deposit requirements
758	Form 941—Employer's Quarterly Federal Tax Return
759	Form 940 and 940-EZ—Deposit requirements
760	Form 940 and Form 940-EZ—Employer's Annual Federal Unemployment Tax Return
761	Tips—Withholding and reporting
762	Independent contractor vs. employee
	Magnetic Media Filers—1099 Series and Related Information Returns
801	Who must file magnetically
802	Applications, forms, and information
803	Waivers and extensions
804	Test files and combined Federal and State filing
805	Electronic filing of information returns
	Tax Information for Aliens and U.S. Citizens Living Abroad
851	Resident and nonresident aliens
852	Dual-status alien
853	Foreign earned income exclusion—General
854	Foreign earned income exclusion—Who qualifies?
855	Foreign earned income exclusion—What qualifies?
856	Foreign tax credit
857	Individual Taxpayer Identification Number—Form W-7
858	Alien tax clearance
	Tax Information for Puerto Rico Residents (in Spanish only)
901	Who must file a U.S. income tax return in Puerto Rico
902	Deductions and credits for Puerto Rico filers
903	Federal employment taxes in Puerto Rico
904	Tax assistance for Puerto Rico residents

Topic numbers are effective January 1, 2000.

Forms by Fax

The following forms and instructions are available through our **Tax Fax** service 24 hours a day, 7 days a week. Just call **703-368-9694** from the telephone connected to the fax machine. When you call, you will hear instructions on how to use the service. Select the option for getting forms. Then, enter the **Catalog No.** (Cat. No.) shown below for each item you want. When you hang up the phone, the fax will begin.

Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages
Form SS-4	Application for Employer Identification Number	16055	4
Form SS-8	Determination of Employee Work Status for Purposes of Federal Employment Taxes and Income Tax Withholding	16106	4
Form W-2c	Corrected Wage and Tax Statement	61437	8
Form W-3c	Transmittal of Corrected Wage and Tax Statements	10164	2
Instr. W-2c and W-3c		25978	4
Form W-4	Employee's Withholding Allowance Certificate	10220	2
Form W-4P	Withholding Certificate for Pension or Annuity Payments	10225	4
Form W-5	Earned Income Credit Advance Payment Certificate	10227	3
Form W-7	Application for IRS Individual Taxpayer Identification Number	10229	3
Form W-7A	Application for Taxpayer Identification Number for Pending U.S. Adoptions	24309	
Form W-7P	Application for Preparer Tax Identification Number	26781	
Form W-9	Request for Taxpayer Identification Number and Certification	10231	2
Instr. W-9		20479	2
Form W-9S	Request for Student's or Borrower's Taxpayer Identification Number and Certification	25240	2
Form W-10	Dependent Care Provider's Identification and Certification	10437	
Form 709	U.S. Gift (and Generation-Skipping Transfer) Tax Return	16783	4
Instr. 709		16784	8
Form 709A	U.S. Short Form Gift Tax Return	10171	2
Form 843	Claim for Refund and Request for Abatement	10180	1
Instr. 843		11200	2
Form 940	Employer's Annual Federal Unemployment (FUTA) Tax Return	11234	2
Instr. 940		13660	6
Form 940-EZ	Employer's Annual Federal Unemployment (FUTA) Tax Return	10983	2
Instr. 940-EZ		25947	4
Form 941	Employer's Quarterly Federal Tax Return	17001	3
Instr. 941		14625	4
Form 941c	Supporting Statement To Correct Information	11242	4
Form 990	Return of Organization Exempt From Income Tax	11282	6
Instr. 990 & 990-EZ	General Instructions for Forms 990 and 990-EZ	22386	14
Instr. 990	Specific Instructions for Form 990	50002	16

Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages
Schedule A (Form 990)	Organization Exempt Under Section 501(c)(3)	11285	6
Instr. Sch. A (Form 990)		11294	8
Form 990-EZ	Short Form Return of Organization Exempt From Income Tax	10642	
Instr. 990-EZ	Specific Instructions for Form 990-EZ	50003	9
Form 1040	U.S. Individual Income Tax Return	11320	2
Instr. 1040	Line Instructions for Form 1040	11325	33
Instr. 1040	General Information for Form 1040	24811	26
Tax Table and Tax Rate Sch.	Tax Table and Tax Rate Schedules (Form 1040)	24327	13
Schedules A&B (Form 1040)	Itemized Deductions & Interest and Ordinary Dividends	11330	
Instr. Sch. A&B		24328	8
Schedule C (Form 1040)	Profit or Loss From Business (Sole Proprietorship)	11334	2
Instr. Sch. C		24329	9
Schedule C-EZ (Form 1040)	Net Profit From Business (Sole Proprietorship)	14374	2
Schedule D (Form 1040)	Capital Gains and Losses	11338	2
Instr. Sch. D		24331	7
Schedule D-1 (Form 1040)	Continuation Sheet for Schedule D	10424	2
Schedule E (Form 1040)	Supplemental Income and Loss	11344	2
Instr. Sch. E		24332	6
Schedule EIC (Form 1040A or 1040)	Earned Income Credit	13339	2
Schedule F (Form 1040)	Profit or Loss From Farming	11346	2
Instr. Sch. F		24333	
Schedule H (Form 1040)	Household Employment Taxes	12187	2
Instr. Sch. H		21451	8
Schedule J (Form 1040)	Farm Income Averaging	25513	2
Instr. Sch. J		25514	4
Schedule R (Form 1040)	Credit for the Elderly or the Disabled	11359	2
Instr. Sch. R		11357	4
Schedule SE (Form 1040)	Self-Employment Tax	11358	2
Instr. Sch. SE		24334	4
Form 1040A	U.S. Individual Income Tax Return	11327	2
Schedule 1 (Form 1040A)	Interest and Ordinary Dividends for Form 1040A Filers	12075	1
Schedule 2 (Form 1040A)	Child and Dependent Care Expenses for Form 1040A Filers	10749	2
Schedule 3 (Form 1040A)	Credit for the Elderly or the Disabled for Form 1040A Filers	12064	2
Instr. Sch. 3		12059	4
Form 1040-ES	Estimated Tax for Individuals	11340	7
Form 1040EZ	Income Tax Return for Single and Joint Filers With No Dependents	11329	2

Name of Form or Instructions	Title of Form or Instructions	Cat. No.	No. of Pages
Form 1040NR	U.S. Nonresident Alien Income Tax Return	11364	5
Instr. 1040NR		11368	32
Form 1040NR-EZ	U.S. Income Tax Return for Certain Nonresident Aliens With No Dependents	21534	2
Instr. 1040NR-EZ		21718	12
Form 1040X	Amended U.S. Individual Income Tax Return	11360	2
Instr. 1040X		11362	6
Form 1116	Foreign Tax Credit	11440	2
Instr. 1116		11441	12
Form 1310	Statement of Person Claiming Refund Due a Deceased Taxpayer	11566	2
Form 2106	Employee Business Expenses	11700	2
Instr. 2106		64188	4
Form 2106-EZ	Unreimbursed Employee Business Expenses	20604	2
Form 2120	Multiple Support Declaration	11712	1
Form 2210	Underpayment of Estimated Tax by Individuals, Estates, and Trusts	11744	3
Instr. 2210		63610	5
Form 2290	Heavy Highway Vehicle Use Tax Return	11250	3
Instr. 2290		27231	8
Form 2441	Child and Dependent Care Expenses	11862	2
Instr. 2441		10842	3
Form 2553	Election by a Small Business Corporation	18629	2
Instr. 2553		49978	2
Form 2555	Foreign Earned Income	11900	3
Instr. 2555		11901	4
Form 2555-EZ	Foreign Earned Income Exclusion	13272	2
Instr. 2555-EZ		14623	3
Form 2688	Application for Additional Extension of Time To File U.S. Individual Income Tax Return	11958	2
Form 2848	Power of Attorney and Declaration of Representative	11980	2
Instr. 2848		11981	3
Form 3903	Moving Expenses	12490	2
Form 4136	Credit for Federal Tax Paid on Fuels	12625	4
Form 4137	Social Security and Medicare Tax on Unreported Tip Income	12626	2
Form 4506	Request for Copy or Transcript of Tax Form	41721	2
Form 4562	Depreciation and Amortization	12906	2
Instr. 4562		12907	11
Form 4684	Casualties and Thefts	12997	2
Instr. 4684		12998	4
Form 4797	Sales of Business Property	13086	2
Instr. 4797		13087	4
Form 4835	Farm Rental Income and Expenses	13117	2
Form 4868	Application for Automatic Extension of Time To File U.S. Individual Income Tax Return	13141	4
Form 4952	Investment Interest Expense Deduction	13177	2
Form 4972	Tax on Lump-Sum Distributions	13187	2
Instr. 4972		13188	4
Form 5329	Additional Taxes Attributable to IRAs, Other Qualified Retirement Plans, Annuities, Modified Endowment Contracts, and MSAs	13329	2
Instr. 5329		13330	4
Form 6198	At-Risk Limitations	50012	1
Instr. 6198		50013	7
Form 6251	Alternative Minimum Tax—Individuals	13600	2
Instr. 6251		64277	8
Form 6252	Installment Sale Income	13601	2
Instr. 6252		64262	2
Form 6781	Gains and Losses From Section 1256 Contracts and Straddles	13715	1
Form 8271	Investor Reporting of Tax Shelter Registration Number	61924	2
Form 8283	Noncash Charitable Contributions	62299	2
Instr. 8283		62730	1
Form 8300	Report of Cash Payments Over $10,000 Received in a Trade or Business	62133	4
Form 8332	Release of Claim to Exemption for Child of Divorced or Separated Parents	13910	1
Form 8379	Injured Spouse Claim and Allocation	62474	2
Form 8582	Passive Activity Loss Limitations	63704	3
Instr. 8582		64294	11
Form 8586	Low-Income Housing Credit	63987	2
Form 8606	Nondeductible IRAs	63966	2
Instr. 8606		25399	6
Form 8615	Tax for Children Under Age 14 Who Have Investment Income of More Than $1,400	64113	2
Form 8718	User Fee for Exempt Organization Determination Letter Request	64728	1
Form 8801	Credit for Prior Year Minimum Tax—Individuals, Estates, and Trusts	10002	4
Form 8809	Request for Extension of Time To File Information Returns	10322	2
Form 8812	Additional Child Tax Credit	10644	2
Form 8814	Parents' Election To Report Child's Interest and Dividends	10750	2
Form 8815	Exclusion of Interest From Series EE and I U.S. Savings Bonds Issued After 1989	10822	2
Form 8822	Change of Address	12081	2
Form 8824	Like-Kind Exchanges	12311	4
Form 8829	Expenses for Business Use of Your Home	13232	1
Instr. 8829		15683	4
Form 8839	Qualified Adoption Expenses	22843	2
Instr. 8839		23077	4
Form 8850	Pre-Screening Notice and Certification Request for the Work Opportunity and Welfare-to-Work Credits	22851	2
Instr. 8850		24833	2
Form 8853	Medical Savings Accounts and Long-Term Care Insurance Contracts	24091	2
Instr. 8853		24188	8
Form 8857	Request for Innocent Spouse Relief	24647	4
Form 8859	District of Columbia First-Time Homebuyer Credit	24779	2
Form 8862	Information To Claim Earned Income Credit After Disallowance	25145	2
Instr. 8862		25343	2
Form 8863	Education Credits	25379	1
Form 9465	Installment Agreement Request	14842	2

Calling the IRS

If you cannot answer your question by using one of the methods listed on page 7, please call us for assistance at **1-800-829-1040.** You will not be charged for the call unless your phone company charges you for local calls. This service is available 24 hours a day, 7 days a week, from January 3, 2000, through April 17, 2000. Beginning April 18, 2000, this service is available Monday through Saturday from 7:00 a.m. until 11:00 p.m. local time. Holiday hours may vary.

TIP If you want to check the status of your **1999 refund,** call **TeleTax** at **1-800-829-4477** (see page 10 for instructions).

Before You Call

IRS representatives care about the quality of the service we provide to you, our customer. You can help us provide accurate, complete answers to your questions by having the following information available.

- The tax form, schedule, or notice to which your question relates.
- The facts about your particular situation. The answer to the same question often varies from one taxpayer to another because of differences in their age, income, whether they can be claimed as a dependent, etc.
- The name of any IRS publication or other source of information that you used to look for the answer.

To maintain your account security, you may be asked for the following information, which you should also have available.

- Your social security number.
- The amount of refund and filing status shown on your tax return.
- The "Caller ID Number" shown at the top of any notice you received.
- Your personal identification number (PIN) if you have one.
- Your date of birth.
- The numbers in your street address.
- Your ZIP code.

If you are asking for an installment agreement to pay your tax, you will be asked for the highest amount you can pay each month and the date on which you can pay it.

Evaluation of Services Provided. The IRS uses several methods to evaluate the quality of this telephone service. One method is for a second IRS representative to sometimes listen in on or record telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

Making the Call

Call **1-800-829-1040** (for TTY/TDD help, call 1-800-829-4059). If you have a pulse or rotary dial phone, stay on the line and one of our assisters will answer.

If you have a touch-tone phone, press 1 to enter our automated system. You can press the number for your topic as soon as you hear it. The system will direct you to the appropriate assistance. You may not need to speak to a representative to get your answer. You can do the following within the system.

- Order tax forms and publications.
- Find out the status of your refund or what you owe.
- Determine if we have adjusted your account or received payments you made.
- Request a transcript of your account.
- Find out where to send your tax return or payment.
- Request more time to pay or set up a monthly installment agreement.

Before You Hang Up

If you do not fully understand the answer you receive, or you feel our representative may not fully understand your question, our representative needs to know this. He or she will be happy to take additional time to be sure your question is answered fully.

By law, you are responsible for paying your share of Federal income tax. If we should make an error in answering your question, you are still responsible for the payment of the correct tax. Should this occur, however, you will not be charged any penalty.

Order Blank for Forms and Publications

TIP

For faster ways of getting the items you need such as by computer or fax, see page 7.

How To Use the Order Blank

1. Cut the order blank on the dotted line and **print or type your name and address accurately in the space provided below.** An accurate address will ensure delivery of your order.
2. Circle the items you need. Use the blank spaces to order items not listed. If you need more space, attach a separate sheet of paper listing the additional items you need. To help reduce waste, order only the items you need to prepare your return. We will send you two copies of each form and one copy of each publication you circle.
3. Enclose the order blank in your own envelope and send it to the IRS address shown below that applies to you. Do not use the envelope we sent you in your tax package because this envelope may be used only for filing your income tax return. You should receive a response within 10 days after we receive your request.

Do not send your tax return to any of the addresses listed on this page. Instead, see the back cover.

Where To Mail Your Order Blank for Free Forms and Publications

IF you live in the . . .	**THEN mail to . . .**	**AT this address . . .**
Western United States	Western Area Distribution Center	Rancho Cordova, CA 95743-0001
Central United States	Central Area Distribution Center	P.O. Box 8903 Bloomington, IL 61702-8903
Eastern United States or a foreign country	Eastern Area Distribution Center	P.O. Box 85074 Richmond, VA 23261-5074

Detach at this line

Order Blank

Fill in your name and address.

Name

Number and street — Apt./Suite/Room

City — State — Zip code

Foreign country — International postal code

Daytime telephone number (optional)

(   )

The items in bold may be picked up at many IRS offices, post offices, and libraries. You may also download all these items from the Internet at www.irs.gov or place an electronic order for them.

Circle the forms and publications you need. The instructions for any form you order will be included.

1040	Schedule F (1040)	Schedule 3 (1040A)	2441	8812	Pub. 463	Pub. 527	Pub. 910
Schedules A&B (1040)	Schedule H (1040)	**1040EZ**	3903	8822	Pub. 501	Pub. 529	Pub. 926
Schedule C (1040)	Schedule J (1040)	1040-ES (2000)	4562	8829	Pub. 502	Pub. 535	Pub. 929
Schedule C-EZ (1040)	Schedule R (1040)	1040-V	4868	8863	Pub. 505	Pub. 550	Pub. 936
Schedule D (1040)	Schedule SE (1040)	1040X	5329	9465	Pub. 508	Pub. 554	Pub. 970
Schedule D-1 (1040)	**1040A**	2106	8283	Pub. 1	Pub. 521	Pub. 575	Pub. 972
Schedule E (1040)	**Schedule 1 (1040A)**	2106-EZ	8582	Pub. 17	Pub. 523	Pub. 590	
Schedule EIC (1040A or 1040)	**Schedule 2 (1040A)**	2210	8606	Pub. 334	Pub. 525	Pub. 596	

Where To Report Certain Items From 1999 Forms W-2, 1098, and 1099

Report on Form 1040, line 57, any amounts shown on these forms as **Federal income tax withheld.** If you itemize your deductions, report on Schedule A, line 5, any amounts shown on these forms as **state or local income tax withheld.**

Form	Item and Box in Which it Should Appear	Where To Report if Filing Form 1040
W-2	Wages, salaries, tips, etc. (box 1)	Form 1040, line 7
	Allocated tips (box 8)	See **Tip income** on page 20
	Advance EIC payments (box 9)	Form 1040, line 54
	Dependent care benefits (box 10)	Form 2441, line 10
	Adoption benefits (box 13, code **T**)	Form 8839, line 22
	Employer contributions to an MSA (box 13, code **R**)	Form 8853, line 3b
W-2G	Gambling winnings (box 1)	Form 1040, line 21 (Schedule C or C-EZ for professional gamblers)
1098	Mortgage interest (box 1)	Schedule A, line 10*
	Points (box 2)	
	Refund of overpaid interest (box 3)	Form 1040, line 21, but first see the instructions on Form 1098*
1098-E	Student loan interest (box 1)	See the instructions for Form 1040, line 24, on page 26*
1099-A	Acquisition or abandonment of secured property	See Pub. 544
1099-B	Stocks, bonds, etc. (box 2)	Schedule D
	Bartering (box 3)	See Pub. 525
	Futures contracts (box 9)	Form 6781
1099-C	Canceled debt (box 2)	Form 1040, line 21, but first see the instructions on Form 1099-C*
1099-DIV	Ordinary dividends (box 1)	Form 1040, line 9
	Total capital gain distributions (box 2a)	Form 1040, line 13, or, if required, Schedule D, line 13, column (f)
	28% rate gain (box 2b)	Schedule D, line 13, column (g)
	Unrecaptured section 1250 gain (box 2c)	See the worksheet for Schedule D, line 25, on page D-7
	Section 1202 gain (box 2d)	See the instructions for Schedule D
	Nontaxable distributions (box 3)	See the instructions for Form 1040, line 9, on page 20
	Investment expenses (box 5)	Schedule A, line 22
	Foreign tax paid (box 6)	Form 1040, line 46, or Schedule A, line 8
1099-G	Unemployment compensation (box 1)	Form 1040, line 19. But if you repaid any unemployment compensation in 1999, see the instructions for line 19 on page 24
	State or local income tax refund (box 2)	See the instructions for Form 1040, line 10, on page 21*
	Qualified state tuition program earnings (box 5)	Form 1040, line 21
	Taxable grants (box 6)	Form 1040, line 21*
	Agriculture payments (box 7)	See the Schedule F instructions or Pub. 225

* *If the item relates to an activity for which you are required to file Schedule C, C-EZ, E, or F, or Form 4835, report the taxable or deductible amount allocable to the activity on that schedule or form instead.*

(continued)

Form	Item and Box in Which it Should Appear	Where To Report if Filing Form 1040
1099-INT	Interest income (box 1)	Form 1040, line 8a
	Early withdrawal penalty (box 2)	Form 1040, line 30
	Interest on U.S. savings bonds and Treasury obligations (box 3)	See the instructions for Form 1040, line 8a, on page 20
	Investment expenses (box 5)	Schedule A, line 22
	Foreign tax paid (box 6)	Form 1040, line 46, or Schedule A, line 8
1099-LTC	Long-term care and accelerated death benefits	See the instructions for Form 8853
1099-MISC	Rents (box 1)	See the instructions for Schedule E
	Royalties (box 2)	Schedule E, line 4 (timber, coal, iron ore royalties, see Pub. 544)
	Other income (box 3)	Form 1040, line 21*
	Nonemployee compensation (box 7)	Schedule C, C-EZ, or F (Form 1040, line 7, if you were not self-employed)
	Other (boxes 5, 6, 8, 9, and 10)	See the instructions on Form 1099-MISC
1099-MSA	Distributions from medical savings accounts	Form 8853
1099-OID	Original issue discount (box 1)	See the instructions on Form 1099-OID
	Other periodic interest (box 2)	
	Early withdrawal penalty (box 3)	Form 1040, line 30
1099-PATR	Patronage dividends and other distributions from a cooperative (boxes 1, 2, 3, and 5)	Schedule C, C-EZ, or F, or Form 4835, but first see the instructions on Form 1099-PATR
	Credits (boxes 7 and 8)	Form 3468 or Form 5884
	Patron's AMT adjustment (box 9)	Form 6251, line 14j
1099-R	Distributions from IRAs**	See the instructions for Form 1040, lines 15a and 15b, on page 22
	Distributions from pensions, annuities, etc.	See the instructions for Form 1040, lines 16a and 16b, on page 22
	Capital gain (box 3)	See the instructions on Form 1099-R
1099-S	Gross proceeds from real estate transactions (box 2)	Form 4797, Form 6252, or Schedule D. But if the property was your home, see the instructions for Schedule D to find out if you must report the sale or exchange.
	Buyer's part of real estate tax (box 5)	See the instructions for Schedule A, line 6, on page A-2*

* *If the item relates to an activity for which you are required to file Schedule C, C-EZ, E, or F, or Form 4835, report the taxable or deductible amount allocable to the activity on that schedule or form instead.*

** *This includes distributions from Roth, SEP, SIMPLE, and education IRAs.*

Private Delivery Services

You can use certain private delivery services designated by the IRS to meet the "timely mailing as timely filing/paying" rule for tax returns and payments. The most recent list of designated private delivery services was published by the IRS in August 1999. The list includes only the following:

- Airborne Express (Airborne): Overnight Air Express Service, Next Afternoon Service, and Second Day Service.
- DHL Worldwide Express (DHL): DHL "Same Day" Service, and DHL USA Overnight.
- Federal Express (FedEx): FedEx Priority Overnight, FedEx Standard Overnight, and FedEx 2Day.
- United Parcel Service (UPS): UPS Next Day Air, UPS Next Day Air Saver, UPS 2nd Day Air, and UPS 2nd Day Air A.M.

The private delivery service can tell you how to get written proof of the mailing date.

CAUTION

Private delivery services cannot deliver items to P.O. boxes. You must use the U.S. Postal Service to mail any item to an IRS P.O. box address.

What Should You Do If You Move? If you move after you file, always notify in writing the Internal Revenue Service Center where you filed your last return, or the Chief, Customer Service Division, at your local IRS district office. You can use **Form 8822** to notify us of your new address.

How Long Should You Keep Your Tax Return? Keep a copy of your tax return, worksheets you used, and records of all items appearing on it (such as W-2 and 1099 forms) until the statute of limitations runs out for that return. Usually, this is 3 years from the date the return was due or filed, or 2 years from the date the tax was paid, whichever is later. You should keep some records longer. For example, keep property records (including those on your home) as long as they are needed to figure the basis of the original or replacement property. For more details, see **Pub. 552.**

Income Tax Withholding and Estimated Tax Payments for 2000. If the amount you owe or the amount you overpaid is large, you may want to file a new **Form W-4** with your employer to change the amount of income tax withheld from your 2000 pay. In general, you do not have to make estimated tax payments if you expect that your 2000 tax return will show a tax refund OR a tax balance due the IRS of less than $1,000. If your total estimated tax (including any alternative minimum tax) for 2000 is $1,000 or more, see **Form 1040-ES.** It has a worksheet you can use to see if you have to make estimated tax payments. See **Pub. 505** for more details.

How Do You Amend Your Tax Return? File **Form 1040X** to change a return you already filed. Generally, Form 1040X must be filed within 3 years after the date the original return was filed, or within 2 years after the date the tax was paid, whichever is later. But you may have more time to file Form 1040X if you are physically or mentally unable to manage your financial affairs. See **Pub. 556** for details.

How Do You Make a Gift To Reduce the Public Debt? If you wish to do so, make a check payable to "Bureau of the Public Debt." You can send it to: Bureau of the Public Debt, Department G, P.O. Box 2188, Parkersburg, WV 26106-2188. Or, you can enclose the check with your income tax return when you file. Do not add your gift to any tax you may owe. See page 48 for details on how to pay any tax you owe.

TIP If you itemize your deductions for 2000, you may be able to deduct this gift.

Do Both the Name and Social Security Number (SSN) on Your Tax Forms Agree With Your Social Security Card? If not, your refund may be delayed or you may not receive credit for your social security earnings. If your Form W-2, Form 1099, or other tax document shows an incorrect SSN or name, notify your employer or the form-issuing agent as soon as possible to make sure your earnings are credited to your social security record. If the name or SSN on your social security card is incorrect, call the Social Security Administration at 1-800-772-1213.

Other Ways To Get Help

Send Your Written Questions to the IRS. You may send your written tax questions to your IRS District Director. You should get an answer in about 30 days. If you do not have the address, call us. See page 11 for the number. Do not send questions with your return.

Assistance With Your Return. IRS offices can help you prepare your return. An assister will explain a Form 1040EZ, 1040A, or 1040 with Schedules A and B to you and other taxpayers in a group setting. You may also be able to file your return electronically by computer free of charge at some IRS offices. To find the IRS office nearest you, look in the phone book under "United States Government, Internal Revenue Service" or call us. See page 11 for the number.

Volunteer Income Tax Assistance (VITA) and Tax Counseling for the Elderly (TCE). These programs help older, disabled, low-income, and non-English-speaking people fill in their returns. For details, call us. See page 11 for the number. If you received a Federal income tax package in the mail, take it with you when you go for help. Also take a copy of your 1998 tax return if you have it. Or to find the nearest AARP Tax-Aide site, visit AARP's Internet Web Site at—www.aarp.org/taxaide or call **1-877-227-7844.**

On-Line Services. If you subscribe to an on-line service, ask about on-line filing or tax information.

Large-Print Forms and Instructions. Pub. 1615 has large-print copies of Form 1040A, Schedules 1, 2, 3, and EIC, and their instructions. You can use the large-print form and schedules as worksheets to figure your tax, but you cannot file on them. You can get Pub. 1615 by phone or mail. See pages 7 and 51.

Help for People With Disabilities. Telephone help is available using TTY/TDD equipment. See page 11 for the number. Braille materials are available at libraries that have special services for people with disabilities.

IRS Customer Service Standards

At the IRS our goal is to continually improve the quality of our services. To achieve that goal, we have developed customer service standards in the following areas:

- **Easier filing and payment options**
- **Access to information**
- **Accuracy**
- **Prompt refunds**
- **Initial contact resolution**
- **Canceling penalties**
- **Resolving problems**
- **Simpler forms**

If you would like information about the IRS standards and a report of our accomplishments, see **Pub. 2183.**

Help With Unresolved Tax Issues

Office of the Taxpayer Advocate

Contacting Your Taxpayer Advocate

If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.

The Taxpayer Advocate independently represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels.

While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

Handling Your Tax Problems

Your assigned personal advocate will listen to your point of view and will work with you to address your concerns. You can expect the advocate to provide you with:

- A "fresh look" at your problem
- Timely acknowledgment
- The name and phone number of the individual assigned to your case
- Updates on progress
- Timeframes for action
- Speedy resolution
- Courteous service

Information You Should Be Prepared To Provide

- Your name, address, and social security number (or employer identification number)
- Your telephone number and hours you can be reached
- The type of tax return and year(s) involved
- A detailed description of your problem
- Your previous attempts to solve the problem and the office you contacted, and
- Description of the hardship you are facing (if applicable)

How To Contact Your Taxpayer Advocate

- Call the Taxpayer Advocate's toll-free number: **1-877-777-4778**
- Call the general IRS toll-free number (1-800-829-1040) and ask for Taxpayer Advocate assistance
- Call, write, or fax the Taxpayer Advocate office in your area (see **Pub. 1546** for addresses and phone numbers)
- TTY/TDD help is available by calling 1-800-829-4059

Addresses and Telephone Numbers for IRS Taxpayer Education Coordinators

Contacts by mail or phone should be made to the attention of the "Taxpayer Education Coordinator." The Taxpayer Education Coordinator can also be reached by calling Toll-Free 1 (800) 829-1040

ALABAMA
600 S. Maestri Place
Stop 21
New Orleans, LA 70130
(504) 558-3011

ALASKA
915 Second Avenue
MSW180
Seattle, WA 98174
(206) 220-5776

ARIZONA
210 E. Earll Drive
Stop 4040 PHX
Phoenix, AZ 85012-9863
(602) 207-8618

ARKANSAS
55 North Robinson Street
Stop 1040 OKC
Oklahoma City, OK 73102
(405) 297-4125

CALIFORNIA

Los Angeles
300 N. Los Angeles Street
Room 5119 - Stop 6602
Los Angeles, CA 90012
(213) 894-4574

San Francisco
1301 Clay Street
Suite 1520S
Oakland, CA 94612-5210
(510) 637-2473

Laguna Niguel
24000 Avila Road
Room 3401
Laguna Niguel, CA 92677
(949) 360-2094

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1301 Clay Street
Suite 1520S
Oakland, CA 94612-5210
(510) 637-2473

San Jose
55 South Market Street
Stop HQ-6300
San Jose, CA 95113
(408) 494-8123

COLORADO
600 17th Street
Stop 6610DEN
Denver, CO 80202-2490
(303) 446-1659

CONNECTICUT
135 High Street, Stop 116
Hartford, CT 06103-1185
(860) 240-4149

DELAWARE
31 Hopkins Plaza
Room 1244
Baltimore, MD 21201
(410) 962-2222/2402

DISTRICT OF COLUMBIA
31 Hopkins Plaza
Room 1208
Baltimore, MD 21201
(410) 962-2222/2402

FLORIDA

Jacksonville
400 West Bay Street
Box 35045, Room 676
Jacksonville, FL 32202-0045
(904) 232-3036

Ft. Lauderdale
Room 270, Building 1
Stop 6030
One N. University Drive
Fort Lauderdale,
FL 33324-2019
(954) 423-7621

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Peachtree Summit Bldg.
401 W. Peachtree St., N.W.
Room 1502, Stop 902D
Atlanta, GA 30365
(404) 338-8670

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(206) 220-5776

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(303) 446-1659

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230 South Dearborn Street
Room 1710, 6602 CHI
Chicago, IL 60604-1132
(312) 886-5544

INDIANA
P.O. Box 44211
Room 573, Stop 66
Indianapolis, IN 46244
(317) 226-6543

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Stop 4312 MIL
Milwaukee, WI 53203-2221
(414) 297-3302

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1222 Spruce Street
Stop 1022 STL
St. Louis, MO 63103
(314) 612-4525

KENTUCKY
801 Broadway
MDP 46, Room 481
Nashville, TN 37203-3836
(615) 250-5670

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600 S. Maestri Place
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(617) 565-4325

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(410) 962-2222 / 2402

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(414) 297-3302

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(702) 455-1029

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Room 760
Boston, MA 02203
(617) 565-4325

NEW JERSEY
P.O. Box 794
Newark, NJ 07101-9788
(973) 645-6690

NEW MEXICO
5338 Montgomery Blvd., NE
Stop 4040ALB
Albuquerque, NM
87109-9866
(505) 837-5515

NEW YORK

Manhattan
P.O. Box 3036
Church Street Station
New York, NY 10008-3036
(212) 436-1021

Brooklyn
10 Metrotech Ctr.,
625 Fulton Street
Room 615
Brooklyn, NY 11201
(718) 488-2908

Albany
P.O. Box 606
Buffalo, NY 14225-0606
(716) 686-4777

Buffalo
P.O. Box 606
Buffalo, NY 14225-0606
(716) 686-4777

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320 Federal Place
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Greensboro, NC 27401
(336) 378-2193

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316 North Robert Street
Stop 6610 STP
St. Paul, MN 55101-1474
(612) 290-3320

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550 Main St., Rm 5417
Cincinnati, OH 45202
(513) 684-2828

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Oklahoma City, OK 73102
(405) 297-4125

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(612) 290-3320

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801 Broadway, MDP 46
Room 481
Nashville, TN 37203-3836
(615) 250-5670

TEXAS

Austin
300 East 8th St.
M/C 6610 AUS
Austin, TX 78701
(512) 499-5439

Dallas
1100 Commerce St.
M/C 6610 DAL
Dallas, TX 75242
(214) 767-1428

Houston
8701 S. Gessner
Stop 6610 HAL
Houston, TX 77074
(281) 721-7070

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600 17th Street
Stop 6610DEN
Denver, CO 80202-2490
(303) 446-1659

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Boston, MA 02203
(617) 565-4325

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(804) 771-2289

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Stop 4312 MIL
Milwaukee, WI 53203-2221
(414) 297-3302

WYOMING
600 17th Street
Stop #6400 DEN
Denver, CO 80202-2490
(303) 446-1659

Outside 50 States & Foreign Countries:

GUAM
Taxpayer Service Division
PDN Building, Room 902
Agana, Guam 96910
(671) 472-7471

PUERTO RICO
Mercantile Plaza Bldg.
Room GF-05
Ponce de Leon Ave.
Stop 27 1/2
Hato Rey, P.R. 00917
(809) 759-4560

Other Foreign Countries:

OFFICE OF ASSISTANT COMMISSIONER (INTERNATIONAL)
950 L'Enfant Plaza
S.W. Promenade Level
Washington, DC 20024
(202) 874-1534

Phone Number for People With Impaired Hearing Who Have TDD Equipment

All areas in U.S., including Alaska, Hawaii, Virgin Islands, and Puerto Rico:
1-800-829-4059

Filing Your Taxes Was Never Easier!

Click into the 21st Century with

IRS e-file

CLICK.ZIP.FAST ROUND TRIP

Take advantage of the benefits of IRS *e-file!*

- Get your refund in half the time, even faster with Direct Deposit
- File now and pay later — you can pay your balance due with a credit card or Direct Debit up until April 17, 2000
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- File your Federal and state tax returns together
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- Use free or low-cost alternatives — on the IRS Web Site click on "Electronic Services" and then on "IRS *e-file* Partners"
- Privacy and security are assured

The *Fastest, Most Accurate* Way To File Your Taxes

check out the IRS Web Site at www.irs.gov.

*U.S. Government Printing Office 2000 — 464-621

Addresses and Telephone Numbers for IRS Taxpayer Education Coordinators

Contacts by mail or phone should be made to the attention of the "Taxpayer Education Coordinator." The Taxpayer Education Coordinator can also be reached by calling Toll-Free 1 (800) 829-1040

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600 S. Maestri Place
Stop 21
New Orleans, LA 70130
(504) 558-3011

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Seattle, WA 98174
(206) 220-5776

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Laguna Niguel, CA 92677
(714) 360-2094

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Stop HQ-6300
San Jose, CA 95113
(408) 494-8123

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Denver, CO 80202-2490
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Baltimore, MD 21201
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Jacksonville, FL 32202-0045
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Indianapolis, IN 46244
(317) 226-6543

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Stop 4312 MIL
Milwaukee, WI 53203-2221
(414) 297-3302

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Stop 1022 STL
St. Louis, MO 63103
(314) 612-4525

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MDP 46, Room 481
Nashville, TN 37203-3836
(615) 250-5670

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St. Louis, MO 63103
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Las Vegas, NV 90195-2214
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"Taxes and You" Order Form
UNDERSTANDING TAXES

Please complete this form only if you are:

- ***ADDING*** new subscription,
- ***CHANGING*** name/address,
- ***REPLACING*** name/address, OR
- ***DELETING*** subscription

Check the appropriate box:

☐ ***ADD*** — My name and address to the Understanding Taxes — ***"Taxes and You"*** subscription list. In doing so, I will receive the Teacher's Resource Kit and current and future revisions. (*Complete Block* **•1**.)

☐ ***ADD*** — My name and address to the subscription list for annual revisions, I have already received my Teacher's Resource Kit, at a convention, teacher's workshop or seminar. (*Complete Block* **•1**.)

☐ ***CHANGE*** — My name and/or address. (*Complete Blocks* **•1** and **•2**.)

☐ ***REPLACE*** — The kit is being transferred to another teacher within the school. (*Complete Blocks* **•1** and **•2**.)

☐ ***DELETE*** — My name and address from the subscription list. (*Complete Block* **•2**.)

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Name
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School Street Address (Do NOT give a PO Box)
City State Zip Code
Telephone Number (Include area code)

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Name
School
School Street Address (Do NOT give a PO Box)
City State Zip Code
Telephone Number (Include area code)

If you have any questions or need additional assistance with the Understanding Taxes program, just contact the nearest Taxpayer Education Coordinator on the attached listing.

NEW MEXICO
5338 Montgomery Blvd., NE
Stop 4040ALB
Albuquerque, NM
87109-9866
(505) 837-5515

NEW YORK
Manhattan
P.O. Box 3036
Church Street Station
New York, NY 10008-3036
(212) 436-1021
Brooklyn
10 Metrotech Ctr.,
625 Fulton Street
Room 615
Brooklyn, NY 11201
(718) 488-2908
Albany
P.O. Box 606
Buffalo, NY 14225-0606
(716) 686-4777
Buffalo
P.O. Box 606
Buffalo, NY 14225-0606
(716) 686-4777

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320 Federal Place
Room 120
Greensboro, NC 27401
(336) 378-2193

NORTH DAKOTA
316 North Robert Street
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St. Paul, MN 55101-1474
(612) 290-3320

OHIO
550 Main St., Rm 5417
Cincinnati, OH 45202
(513) 684-2828

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Oklahoma City, OK 73102
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Room 4452
Philadelphia, PA 19106
(215) 597-6710

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(336) 378-2193

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Stop 6610 STP
St. Paul, MN 55101-1474
(612) 290-3320

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Room 481
Nashville, TN 37203-3836
(615) 250-5670

TEXAS
Austin
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M/C 6610 AUS
Austin, TX 78701
(512) 499-5439
Dallas
1100 Commerce St.
M/C 6610 DAL
Dallas, TX 75242
(214) 767-1428
Houston
8701 S. Gessner
Stop 6610 HAL
Houston, TX 77074
(281) 721-7070

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Stop #6400 DEN
Denver, CO 80202-2490
(303) 446-1659

Outside 50 States & Foreign Countries:

GUAM
Taxpayer Service Division
PDN Building, Room 902
Agana, Guam 96910
(671) 472-7471

PUERTO RICO
Mercantile Plaza Bldg.
Room GF-05
Ponce de Leon Ave.
Stop 27 1/2
Hato Rey, P.R. 00917
(809) 759-4560

Other Foreign Countries:

OFFICE OF ASSISTANT COMMISSIONER (INTERNATIONAL)
950 L'Enfant Plaza
S.W. Promenade Level
Washington, DC 20024
(202) 874-1534

Phone Number for People With Impaired Hearing Who Have TDD Equipment
All areas in U.S., including Alaska, Hawaii, Virgin Islands, and Puerto Rico:
1-800-829-4059

IRS
Department of the Treasury
Internal Revenue Service
www.irs.ustreas.gov

Form 12037 (Rev. 5-99)
Catalog Number 25756R

Return Address *(Please Print)*

Place
Stamp
Here

Complete both sides and mail to the nearest IRS office listed on this form.

To: Internal Revenue Service
Taxes and You

Attention: Taxpayer Education Coordinator